



Fire & Emergency Services
Superannuation Fund

2019 REPORT TO MEMBERS



Investment Market Update

2018/19 Financial Year Economic Commentary

The 2018/2019 financial year provided a mix of positive and negative headlines. These ranged from the persistent threat of a US and China trade war which materialised in tariffs imposed from both sides in September to failed Brexit negotiations resulting in Theresa May's resignation in June, falling bond yields and surprisingly strong equity markets.

The US Federal Reserve raised the target range for interest rates in September, coinciding with an unemployment rate of 3.7% which was then the lowest reading recorded since December 1969. The US Federal Reserve also reaffirmed an outlook for gradual rate hikes in 2019. US inflation was relatively constant over the 2018/19 financial year.

The US share market (as measured by the S&P 500) rallied to produce a return of 7.9% over the financial year, in local currency terms. The US market started the financial year on a positive note on the back of solid economic growth and unemployment data. It then saw a near 20% sell off during the last quarter of 2018 but rebounded in the following quarter, despite the Federal Reserve lowering its projections for US growth and inflation as well as expectations for interest rate increases. The market continued its positive run into 30 June, despite a short sell off in May.

Economic data in the Eurozone was mixed over the 2019 financial year. While unemployment data was positive over the period, manufacturing readings fell over the same period, as did gross domestic product (GDP) growth. As a result, the European Central Bank (ECB) kept interest rates at 0% throughout the entire period, with ECB President Mario Draghi stating that interest rates "could fall even further into negative territory if needed".

Unsurprisingly, Brexit uncertainty continued to take centre stage as far as economic and political news was concerned. Numerous Brexit issues led to the UK Prime Minister's resignation in June 2019. UK GDP grew on an annualised basis between July 2018 and the March 2019 quarter. Likewise, unemployment data improved over the financial year, whilst inflation decreased marginally from 1.9% to 1.7% over the period.

Brexit uncertainty coupled with a softer global growth outlook weighed on UK and Eurozone shares over the financial year. The UK share market index (FTSE All Share Index) finished the first half of the financial year down

11.0% in local currency terms, before recouping losses to finish the 12 months up 0.6% in local currency terms. The European share market index (Eurostoxx 50 Index) followed a similar trend, ending the year up 2.3% in local currency terms.

In China, policy makers unveiled measures such as increased spending, tax cuts, stabilising employment and boosting consumption. These measures, together with continuing talks over trade issues between President Xi and President Trump, gave comfort to investors. GDP growth in China, as expected, steadily declined, as did core inflation, which fell over the year to June 2019. Unemployment improved over the last financial year, ending at a record low of 3.7% at the end of the March quarter.

In Australia, housing markets in Melbourne and Sydney were weak over the financial year, and building approvals significantly lower. The Reserve Bank of Australia (RBA) Board cut the cash rate to a record low of 1.25% and then again in July, to 1%. The RBA Board's June minutes noted that inflation had been lower than the 2 to 3% target range for three years, which partly reflected slow wages growth, pressure in retail consumption and weak growth in rents. Inflation fell below expectations and unemployment stood at 5.2% as at May, down 0.1% from 12 months earlier.

The Australian share market followed the trend of international shares, with the ASX 300 accumulation index returning 11.4% over the last financial year. Shares rallied strongly into June after the Coalition defeated Labour to hold government for another term. Telecommunications were the best performing sector, returning nearly 40.0% whilst energy stocks dropped by around 6.1%.

The Australian 10-year bond yield ended the year down at 1.32% in June, from 2.63% a year earlier. Australian fixed interest returned 9.6% for the year (Bloomberg AusBond Composite Bond Index (All Maturities)). Australian cash, as measured by the Bloomberg AusBond Bank Bill Index, returned 2.0% for the financial year.

The Australian dollar (AUD) fell 4.0% against Australia's major trading partners, as measured by the Trade Weighted Index. Over the financial year, the AUD depreciated by 5.11% against the US dollar.

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

The year in brief

How well did the Fund perform?

The Board declared an annual crediting rate for the Smoothed investment option for 2018/19 of **7.81%**. The declared annual crediting rate for the Smoothed investment option for 2018/19 for pension accounts was **8.72%**.

Super funds have delivered a record-breaking tenth consecutive positive financial year return, with the median balanced¹ fund up nearly 7% in the year to 30 June 2019. The Smoothed investment option return of 7.8% places the option in the top 5 performing balanced options² over the 2018/19 financial year.

For the past five years to 30 June 2019, the Fund has averaged a 'smoothed' investment return of **6.5%pa**. Since the Fund's inception in 1978, the smoothed investment return has averaged **9.4%pa**.

The table below shows the returns (what the investments actually earned) and the declared crediting rates for each period shown.

¹ A diversified fund option with a growth assets ratio between 60% and 76%.

² Based on the SuperRatings Balanced Fund Crediting Rate Survey as at 30 June 2019.

Fund Earning Rate v Declared Crediting Rate 'smoothing'

	Fund Earning Rate	Declared Crediting Rate*
2015	7.8%	6.4%
2016	1.9%	2.0%
2017	9.1%	7.5%
2018	8.4%	9.0%
2019	7.8%	7.8%
3 Year average (pa)	8.4%	8.1%
5 Year average (pa)	7.0%	6.5%
10 Year average (pa)	8.0%	7.4%

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

Fund Statistics as at 30 June 2019

Membership	2018/19	2017/18
Current Members	1,585	1,512
Retained Members	323	348
Pensioners	274	270
Spouse Accounts	144	151
Total	2,326	2,281

Benefits Paid	2018/19	2017/18
	\$	\$
Total	34,106,456	24,146,954

Contributions	2018/19	2017/18
	\$	\$
Member	2,863,180	4,542,446
Salary Sacrifice	12,233,542	12,319,139
Employer	19,108,170	18,930,603
Spouse	200,580	35,340
Transfers In	4,383,583	4,610,066
Total	38,789,055	40,437,594

The Trustees

YOUR SUPER FUND IS ADMINISTERED BY A BOARD

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

The Fire and Emergency Services Superannuation Board members at 30 June 2019 were:

Employer Appointed

Mr Frank Sciarone (Chairman) – Financial Planner and Consultant

Ms Karen Lamont – Human Resources Professional

Mr Brendon Shepherd – Investments Professional

Member Elected

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

Mr Brian Longman – Station Officer

Mr Kelly Wyeth – Station Officer

The Board is responsible for managing the Fund

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

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

What does a Board Member do?

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

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

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

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

Review of Operations

TAXATION AND COMPLIANCE

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

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

AMENDMENTS TO THE ACT AND REGULATIONS

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

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

MEMBER INSURANCE

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

OPERATIONAL RISK FINANCIAL REQUIREMENT (ORFR)

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

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

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

The effect of this action taken by the Board is that all members will be financially protected if an operational risk event occurs in the Fund in the future. No operational risk events occurred in the Fund during the 2018/19 financial year.

SEGREGATION OF ASSETS

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

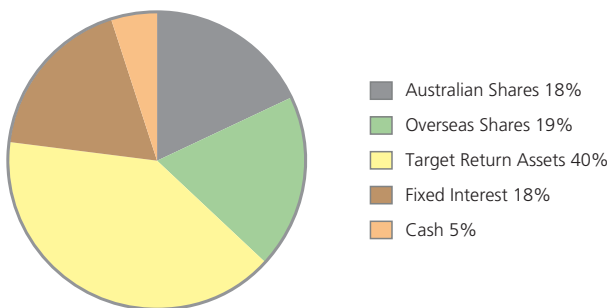
The Board accepted actuarial advice that the long term viability of the defined benefit section requires investment earnings at least 2% per annum greater than the growth of average salaries.

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

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

The percentage distribution within each type of investment and the performance as at 30 June 2019 for the defined benefit section is shown in the following charts.

DEFINED BENEFIT ALLOCATION



DEFINED BENEFIT PERFORMANCE

Defined Benefit Return ¹	6.9%
FAS +2%pa ²	3.4%
Benchmark Return	8.0%

¹ Performance is for the one year to 30 June 2019.

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

Further Information

PRODUCT DISCLOSURE STATEMENT

The Fund's Product Disclosure Statement (PDS) is the legal document which describes how superannuation works and has information on the Fund's benefits, fees, the risks associated with the product, how we invest your money and your insurance cover. The PDS was last issued by the Board on 14 December 2018 and a copy is available on request from the Board office or on our website.

NEWSLETTERS

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

THE ACT, REGULATIONS AND ACTUARIAL STATEMENTS

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

ANNUAL REPORT

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

ANNUAL BENEFIT STATEMENTS

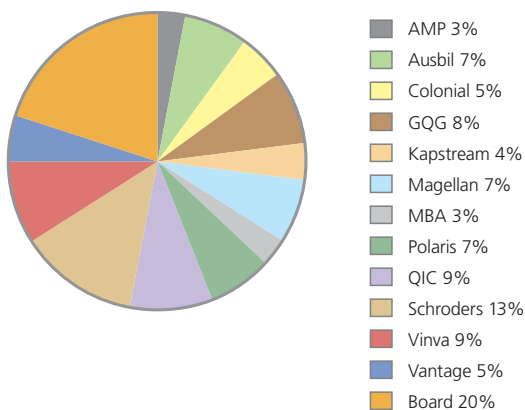
Members are sent an Annual Benefit Statement each year and upon request.

Investments

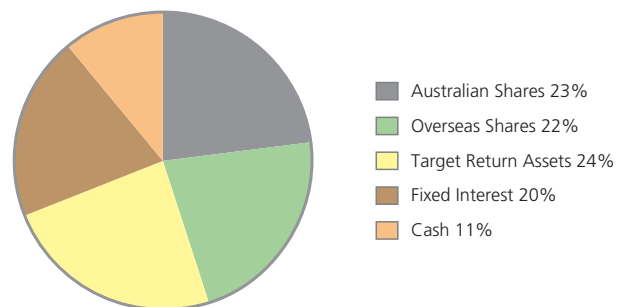
Where are the Assets invested?

The external fund managers are listed in the Directory on the last page of this report. The percentage distribution of assets with the managers and within each type of investment as at 30 June 2019 is shown in the following charts.

INVESTMENT OF ASSETS AT 30 JUNE 2019



DISTRIBUTION OF ASSETS AT 30 JUNE 2019



HOW THE 'SMOOTHED' INVESTMENT RETURN IS CALCULATED

The rate applied to accumulation accounts depends on:

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

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

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

CHOOSING AN INVESTMENT STRATEGY

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

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

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

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

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

Member Investment Choice Option Returns

SMOOTHED OPTION

Purpose	To provide a competitive growth investment with smoothed investment returns on a year-to-year basis.		
Objective	To earn at least the Consumer Price Index (CPI) plus 4% per annum over a rolling 10 year period, net of tax and fees.		
Strategy	Invest approximately 80% in shares/target return assets and 20% in cash/fixed interest.		
Strategic asset allocation	Australian Shares	25%	
	Overseas Shares	25%	
	Target Return	30%	
	Australian Fixed Interest	17%	
	Cash	3%	
Expected frequency of a negative annual return	<p>Less than three negative annual returns (after smoothing) in any 20 year period (on average). It has a medium to high level of risk.</p> <p>Historically, the Smoothed Option has produced a lower frequency of negative returns. This is due to the use of an investment fluctuation reserve in which a portion of the Fund's earnings in this investment option are set aside in the good investment years (i.e. when returns are high) in order to supplement returns in poor investment years (i.e. when the markets may lose money).</p>		

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

Asset Classes	Ranges	Allocation	Allocation	Crediting Rates	Accumulation Account	Pension Account
		as at 30 June 2019	as at 30 June 2018			
Australian Shares	15%-35%	28%	26%	2014/2015	6.4%	7.5%
Overseas Shares	15%-35%	29%	26%	2015/2016	2.0%	2.2%
Target Return	5%-45%	19%	20%	2016/2017	7.5%	8.3%
Fixed Interest	5%-40%	20%	17%	2017/2018	9.0%	10.0%
Cash	0%-20%	4%	11%	2018/2019	7.8%	8.7%

Performance against Objective	Accumulation Account	Objective	Pension Account	Objective
3 Years (pa)	8.8%	5.9%	9.8%	5.9%
5 Years (pa)	7.2%	5.6%	8.0%	5.6%
7 Years (pa)	9.2%	5.9%	10.3%	5.9%
10 Years (pa)	8.3%	6.1%	9.4%	6.1%

CASH OPTION

Purpose	To protect members' capital at all times.
Objective	To earn investment returns competitive with other cash investments, net of tax and fees, over rolling 12 month periods.
Strategy	Invest in cash or other short-term investments such as bank deposits and fixed term deposits.
Strategic asset allocation	Cash 100%
Expected frequency of negative return	Not expected in any one year period.

Asset Classes	Ranges	Allocation		Crediting Rates	Accumulation Account	Pension Account
		as at 30 June 2019	as at 30 June 2018			
Australian Shares	0%	0%	0%	2014/2015	2.6%	3.1%
Overseas Shares	0%	0%	0%	2015/2016	2.1%	2.6%
Target Return	0%	0%	0%	2016/2017	2.0%	2.4%
Fixed Interest	0%	0%	0%	2017/2018	1.4%	1.8%
Cash	100%	100%	100%	2018/2019	1.5%	1.9%

Performance against Objective	Accumulation Account	Objective	Pension Account	Objective
3 Years (pa)	2.0%	1.6%	2.3%	1.9%
5 Years (pa)	2.3%	1.8%	2.7%	2.1%
7 Years (pa)	2.6%	2.0%	3.1%	2.3%
10 Years (pa)	3.1%	2.5%	3.7%	3.0%

MODERATE OPTION

Purpose	To earn higher investment returns than cash while maintaining a conservative approach so the risk of capital losses in any one year remains low.										
Objective	To earn at least the Consumer Price Index (CPI) plus 2% per annum over rolling 10 year periods, net of tax and fees.										
Strategy	Invest approximately one half in shares/target return assets and one half in cash/fixed interest.										
Strategic asset allocation	<table> <tr> <td>Australian Shares</td> <td>15%</td> </tr> <tr> <td>Overseas Shares</td> <td>15%</td> </tr> <tr> <td>Target Return</td> <td>20%</td> </tr> <tr> <td>Australian Fixed Interest</td> <td>30%</td> </tr> <tr> <td>Cash</td> <td>20%</td> </tr> </table>	Australian Shares	15%	Overseas Shares	15%	Target Return	20%	Australian Fixed Interest	30%	Cash	20%
Australian Shares	15%										
Overseas Shares	15%										
Target Return	20%										
Australian Fixed Interest	30%										
Cash	20%										
Expected frequency of negative return	Less than three negative annual returns in any 20 year period (on average). It has a low to medium level of risk.										

Asset Classes	Ranges	Allocation		Crediting Rates	Accumulation Account	Pension Account
		as at 30 June 2019	as at 30 June 2018			
Australian Shares	0%-30%	17%	15%	2014/2015	3.2%	4.2%
Overseas Shares	0%-30%	17%	18%	2015/2016	1.4%	1.8%
Target Return	0%-30%	12%	11%	2016/2017	7.5%	8.3%
Fixed Interest	10%-50%	31%	33%	2017/2018	5.5%	6.2%
Cash	10%-50%	23%	23%	2018/2019	6.3%	7.1%

Performance against Objective	Accumulation Account	Objective	Pension Account	Objective
3 Years (pa)	6.8%	3.9%	7.6%	3.9%
5 Years (pa)	5.1%	3.6%	5.9%	3.6%
7 Years (pa)	6.6%	3.9%	7.5%	3.9%
10 Years (pa)	6.4%	4.1%	7.3%	4.1%

GROWTH OPTION

Purpose	To provide a competitive growth investment.										
Objective	To earn at least the Consumer Price Index (CPI) plus 4% per annum over rolling 10 year periods, net of tax and fees.										
Strategy	Invest approximately three quarters in shares/target return assets and one quarter in cash/fixed interest.										
Strategic asset allocation	<table> <tr> <td>Australian Shares</td> <td>25%</td> </tr> <tr> <td>Overseas Shares</td> <td>25%</td> </tr> <tr> <td>Target Return</td> <td>30%</td> </tr> <tr> <td>Australian Fixed Interest</td> <td>17%</td> </tr> <tr> <td>Cash</td> <td>3%</td> </tr> </table>	Australian Shares	25%	Overseas Shares	25%	Target Return	30%	Australian Fixed Interest	17%	Cash	3%
Australian Shares	25%										
Overseas Shares	25%										
Target Return	30%										
Australian Fixed Interest	17%										
Cash	3%										
Expected frequency of negative return	Less than four negative annual returns in any twenty year period (on average). It has a medium to high level of risk.										

Asset Classes	Ranges	Allocation	Allocation	Crediting Rates	Accumulation Account	Pension Account
		as at 30 June 2019	as at 30 June 2018			
Australian Shares	15%-35%	28%	26%	2014/2015	7.4%	8.6%
Overseas Shares	15%-35%	29%	26%	2015/2016	1.5%	1.6%
Target Return	5%-45%	19%	20%	2016/2017	9.1%	10.2%
Fixed Interest	5%-40%	20%	17%	2017/2018	8.4%	9.4%
Cash	0%-20%	4%	11%	2018/2019	7.8%	8.7%

Performance against Objective	Accumulation Account	Objective	Pension Account	Objective
3 Years (pa)	8.8%	5.9%	9.8%	5.9%
5 Years (pa)	7.2%	5.6%	8.0%	5.6%
7 Years (pa)	9.2%	5.9%	10.3%	5.9%
10 Years (pa)	8.3%	6.1%	9.4%	6.1%

AUSTRALIAN SHARE OPTION

Purpose	To provide a diversified investment in Australian shares.
Objective	To earn at least the benchmark return for Australian shares (S&P/ASX 300 Accumulation Index), net of tax and fees, over rolling 12 month periods..
Strategy	Invest all of the assets in the Australian share market.
Strategic asset allocation	Australian Shares 100%
Expected frequency of negative return	Less than six negative annual returns in any twenty year period (on average). It has a high level of risk.

Asset Classes	Ranges	Allocation	Allocation	Crediting Rates	Accumulation Account	Pension Account
		as at 30 June 2019	as at 30 June 2018			
Australian Shares	90%-100%	100%	100%	2014/2015	3.4%	5.3%
Overseas Shares	0%	0%	0%	2015/2016	-2.2%	-2.4%
Target Return	0%	0%	0%	2016/2017	15.4%	16.1%
Fixed Interest	0%	0%	0%	2017/2018	13.3%	13.9%
Cash	0%-10%	0%	0%	2018/2019	8.7%	8.8%

Performance against Objective	Accumulation Account	Objective	Pension Account	Objective
3 Years (pa)	12.8%	12.3%	13.3%	12.8%
5 Years (pa)	7.9%	8.5%	8.5%	8.9%
7 Years (pa)	12.3%	11.4%	13.4%	11.8%
10 Years (pa)	10.2%	9.5%	11.0%	9.9%

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

Purpose	To provide a diversified investment in international shares.
Objective	To earn at least the benchmark return for international shares (MSCI World ex-Australia Index in \$AUD), net of tax and fees, over rolling 12 month periods.
Strategy	Invest all of the assets in international shares.
Strategic asset allocation	Overseas Shares 100%
Expected frequency of negative return	Less than six negative annual returns in any twenty year period (on average). It has a high level of risk.

Asset Classes	Ranges	Allocation		Crediting Rates	Accumulation Account	Pension Account
		as at 30 June 2019	as at 30 June 2018			
Australian Shares	0%	0%	0%	January – June 2016	-4.3%	-4.7%
Overseas Shares	90%-100%	100%	100%	2016/2017	13.7%	15.9%
Target Return	0%	0%	0%	2017/2018	15.0%	17.6%
Fixed Interest	0%	0%	0%	2018/2019	11.8%	13.7%
Cash	0%-10%	0%	0%			

Performance against Objective	Accumulation Account	Objective	Pension Account	Objective
3 Years (pa)	13.9%	12.2%	16.1%	14.0%

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

Purpose	To provide a diversified investment in Australian Fixed Interest.
Objective	To earn at least the benchmark return (Bloomberg Ausbond Composite Bond Index), net of tax and fees, over rolling 12 month periods..
Strategy	Invest all of the assets in Australian Fixed Interest.
Strategic asset allocation	Fixed Interest 100%
Expected frequency of negative return	Less than four negative annual returns in any twenty year period (on average). It has a low to medium level of risk.

Asset Classes	Ranges	Allocation		Crediting Rates	Accumulation Account	Pension Account
		as at 30 June 2019	as at 30 June 2018			
Australian Shares	0%	0%	0%	January – June 2016	2.8%	3.6%
Overseas Shares	0%	0%	0%	2016/2017	3.2%	3.7%
Target Return	0%	0%	0%	2017/2018	1.7%	2.2%
Fixed Interest	90%-100%	100%	100%	2018/2019	5.8%	6.9%
Cash	0%-10%	0%	0%			

Performance against Objective	Accumulation Account	Objective	Pension Account	Objective
3 Years (pa)	3.9%	3.6%	4.6%	4.2%

Financial information

The charts below show the abridged financial information based on the unaudited Financial Statements of the Fund for the year ended 30 June 2019. The full audited Financial Statements and the Auditor General's opinion will be included in the Annual Report.

NET ASSETS AVAILABLE TO PAY BENEFITS AS AT 1 JULY 2018 **\$705,893,474**

Inflow 2018/2019	
Employer Contributions	19,108,170
Salary Sacrifice Contributions	12,233,542
Member Contributions	2,863,180
Spouse Contributions	200,580
Investment Revenue	60,903,580
Transfers	4,383,583
Other Revenue	983,675
Total	100,676,310

Outflow 2018/2019	
Benefits Paid	34,106,456
Group Life Premiums	2,877,204
Administration Expenses	2,866,742
Investment Expenses	809,851
Taxation	6,935,677
Total	47,595,930

NET ASSETS AVAILABLE TO PAY BENEFITS AS AT 30 JUNE 2019 **\$758,973,854**

AT 30 JUNE 2019 THE ASSETS OF THE FUND ARE REPRESENTED BY

ASSETS	
Investments	765,757,127
Other Assets	467,789
Total Assets	766,224,916
Liabilities	7,251,062
Net Assets	758,973,854

Fund Statistics (as at 30 June)

CURRENT MEMBERS			
	2019	2018	2017
Members at start of period	1,512	1,563	1,480
New members	165	77	149
Exits	92	128	66
Members at end of period	1,585	1,512	1,563

BENEFIT ENTITLEMENTS			
	2019	2018	2017
Death	361	0	2,452
Retirements (includes Redundancies)	14,323	30,582	6,744
Total Disablement	6,006	6,295	2,149
Partial Disablement	0	1,500	2,189
Resignation	1,949	2,529	2,519
TOTAL	(\$,000) 22,639	40,906	16,053

PENSIONERS			
	2019	2018	2017
Number of Pensioners	274	270	271
Balance of Accounts	(\$,000) 92,486	84,633	82,297

RETAINED MEMBERS			
	2019	2018	2017
Number of members	323	348	308
Balance of Accounts	(\$,000) 103,132	100,466	71,445

SPOUSE ACCOUNTS			
	2019	2018	2017
Number of members	144	151	146
Balance of Accounts	(\$,000) 21,413	20,633	18,239

OTHER			
	2019	2018	2017
Administration Expenses (\$,000)	2,867	2,955	2,639
Investment Income (\$,000)	61,887	62,955	55,075
Net Fund Crediting Rate (Smoothed)	7.8%	9.0%	7.5%

Changes to Superannuation from 1 July 2019

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.

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

YOUR SUPER ONLINE!

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

The website provides the following general information:

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

Other information

ACTUARIAL INVESTIGATION

Each year, an actuarial review of the Fund is carried out to establish the financial position of the Fund and to determine the level of employer contributions required to adequately provide for members' benefits. The Actuary has completed the review of the Fund as at 30 June 2019 and has reported that *"the Fund is currently in a satisfactory financial position as at 30 June 2019 as measured by the coverage of vested benefits by assets"*.

The Fund uses a 'vested benefits index' as a means of valuing the Fund and determining the amount of money required to fund the benefit payments of active members. The Fund's vested benefits index as at 30 June 2019 (including the Supplementary Disablement Pension assets) has been calculated as being 124%. The Fund's target index is 120%.

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

SPECIAL TAX TREATMENT

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

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

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

WHEN YOU CEASE EMPLOYMENT

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

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

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

If your account balance is transferred to an ERF:

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

Statement of changes in reserves for the year ended 30 June 2019

	Operational Risk Reserve	SDB Reserve	Smoothed Option Investment Reserve	Defined Benefit Investment Reserve	Total Reserves
Balance at 1 July 2016	1,726,660	21,292,454	4,167,238	3,602,988	30,789,340
Movement	49,725	3,095,900	3,388,420	4,834,358	11,368,403
Balance at 30 June 2017	1,776,385	24,388,354	7,555,658	8,437,346	42,157,743
Movement	196,443	2,850,401	76,235	(604,814)	2,518,265
Balance at 30 June 2018	1,972,828	27,238,755	7,631,893	7,832,532	44,676,008
Movement	207,005	3,139,416	833,886	7,739,842	11,920,149
Balance at 30 June 2019	2,179,833	30,378,171	8,465,779	15,572,374	56,596,157

WHAT TO DO IF YOU HAVE A COMPLAINT?

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

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

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

3. If you do not receive a response to your complaint within 90 days, are not satisfied with the handling of your complaint or the Board's decision, you may be able to make a complaint to the Australian Financial Complaints Authority (AFCA).
4. AFCA's contact details are:

Australian Financial Complaints Authority
GPO Box 3
MELBOURNE VIC 3001

Phone: 1800 931 678
Website: www.afca.org.au
Email: info@afca.org.au

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

- Fund members;
- persons with an interest in a death benefit; and
- parties (and intending parties) to a Family law agreement or order affecting superannuation.

AFCA will advise you if it is 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.

Please contact AFCA for more information.

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

LIKE TO KNOW MORE?

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

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

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

RESERVES

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

Operational Risk Reserve

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

SDB Reserve

The Supplementary Disablement Benefit (SDB) Reserve is held to fund supplementary disablement claims for members. The employer contributes 1% of salaries. An actuarial review is completed every 3 years for the SDB Reserve to determine the value. This reserve forms part of the defined benefit investment strategy of the Fund.

Investment Reserves

The investment reserves include a Smoothed Option Investment Reserve, held in respect of accumulation/pension members in the Smoothed Option, and a Defined Benefit Investment Reserve held to smooth out the value of the defined benefit assets against long term values. These are valued annually by the Actuary.

Directory

FIRE AND EMERGENCY SERVICES SUPERANNUATION BOARD

242 Rokeby Road, SUBIACO WA 6008

BOARD MEMBERS:

Employer Appointed

Frank Sciarrone – Chairman
Karen Lamont
Brendon Shepherd

Member Elected

Kevin Jolly
Brian Longman
Kelly Wyeth

MINISTER

Treasurer – Hon Benjamin Wyatt MLA

FUND SECRETARY

Adrian Rutter

ACTUARY

Janice Jones – PricewaterhouseCoopers

INSURER

Hannover Life Re of Australasia Ltd

ACCOUNTANT

Sharyn Long Chartered Accountants

BANKER

Commonwealth Bank of Australia

AUDITORS

Auditor General (WA)

INVESTMENT MANAGERS

AMP Capital Investors

Level 15, 50 Bridge Street, SYDNEY NSW 2000

Ascot Capital Limited

37 Stirling Highway, NEDLANDS WA 6009

Ausbil Investment Management Limited

Level 27, 225 George Street, SYDNEY NSW 2000

Centaur Property

Suite 2, 234 Churchill Avenue, SUBIACO WA 6008

Colonial First State

Level 3, 201 Sussex Street, SYDNEY NSW 2000

Dorado Property

Level 3, 3 Pier Street, PERTH WA 6000

QQG Partners

Level 2, 88 Collins Street, MELBOURNE VIC 3000

Hall & Prior

16-18 Mayfair Street, WEST PERTH NSW 6005

Kapstream Capital

Level 7, 39 Martin Place, SYDNEY NSW 2000

Magellan Asset Management Limited

Level 7, 1 Castlereagh Street, SYDNEY NSW 2000

Maple-Brown Abbott Limited

Level 31, 259 George Street, SYDNEY NSW 2000

ME Bank

Level 28, 360 Elizabeth Street, MELBOURNE VIC 3000

Polaris Capital Management

121 High Street, BOSTON MASSACHUSETTS

Primewest Funds Limited

Level 1, 307 Murray Street, PERTH WA 6000

QIC

Level 5, 66 Eagle Street, BRISBANE QLD 4001

Schroders Investment Management

Australia Limited

Level 20, Angel Place, 123 Pitt Street, SYDNEY NSW 2000

Sirona Capital

Level 2, 7 Havelock Street, WEST PERTH WA 6005

Vantage Wealth Management

Level 1, 7 Havelock Street, WEST PERTH WA 6005

Vinva Investment Management Limited

Level 13, 10 Bridge Street, SYDNEY NSW 2000

Warrington Property

Level 3, 22 Delhi Street, WEST PERTH WA 6005

CORRESPONDENCE

The Secretary

Fire and Emergency Services Superannuation Board
PO Box 513

SUBIACO WA 6904

Phone: (08) 9382 8444

Fax: (08) 9382 8464

Email: admin@fessuper.com.au

DISCLAIMER

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

GENERAL ADVICE WARNING

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

ISSUED BY

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



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