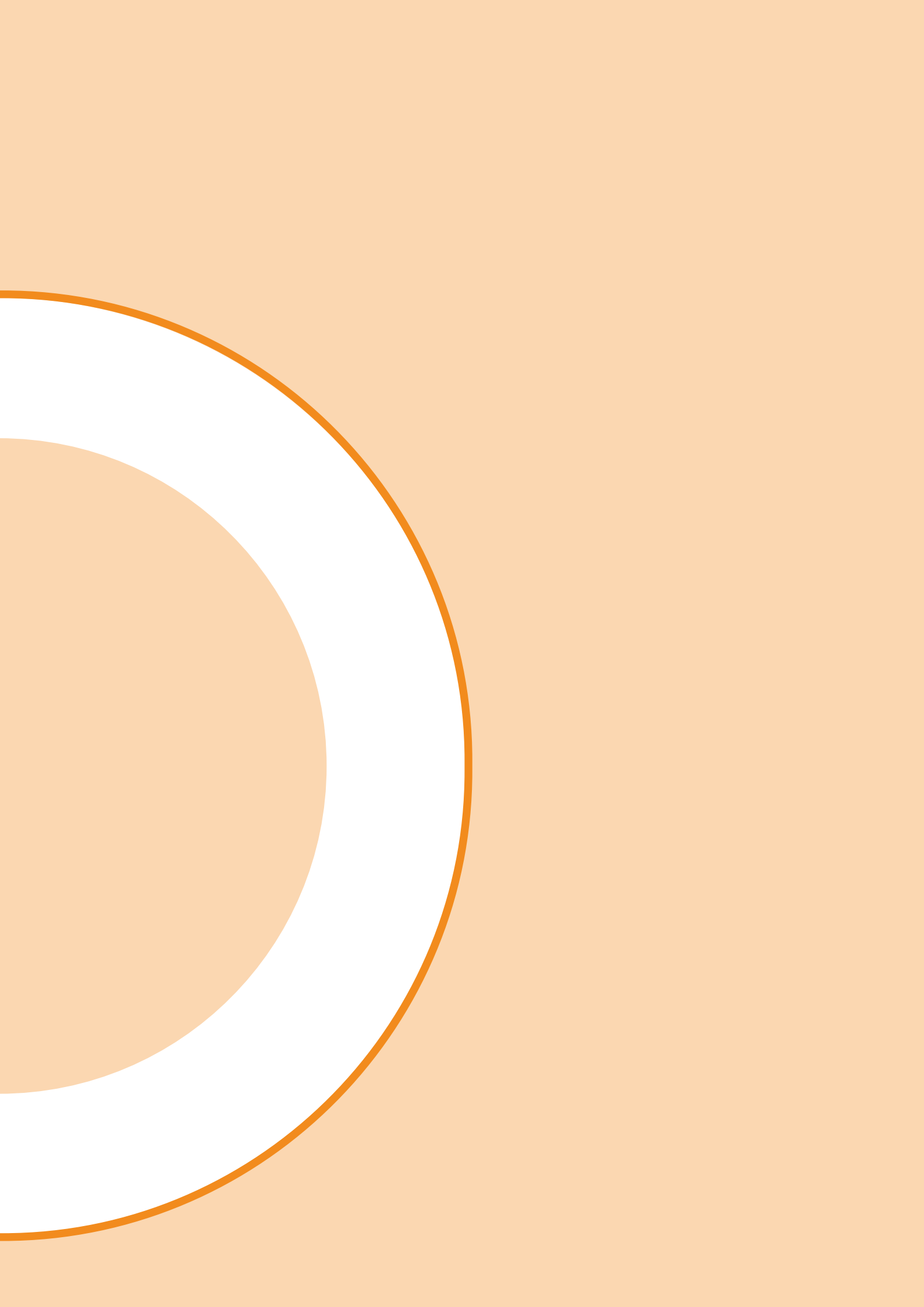




Fire & Emergency Services  
**Superannuation Fund**

Annual Report  
**2021**



# Table of Contents

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<b>Statement of Compliance</b> .....	3
<b>Chair’s Report</b> .....	4
<b>Executive Summary</b> .....	6
<b>Organisational Structure</b> .....	7
<b>Performance Management Framework</b> .....	9
<b>Significant Issues Impacting the Board</b> .....	10
<b>Certification of Financial Statements</b> .....	12
<b>Independent Auditor's Report</b> .....	13
<b>Financial Statements</b> .....	18
<b>Actuarial Opinion</b> .....	55
<b>Estimates</b> .....	58
<b>Certification of Key Performance Indicators</b> .....	59
<b>Key Performance Indicators</b> .....	60
<b>Other Disclosures</b> .....	65
<b>Other Financial Disclosures</b> .....	67



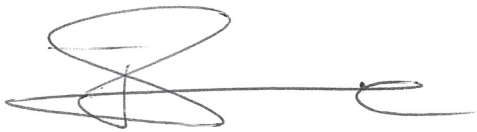
# Statement of Compliance

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**The Honourable Mark McGowan MLA****Premier; Treasurer; Minister For Public Sector Management; Federal-State Relations**

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 2021.

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*.

**Frank Sciarrone**

Chair

22 September 2021

**Karen Lamont**

Board Member

22 September 2021

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# Chairman's Report

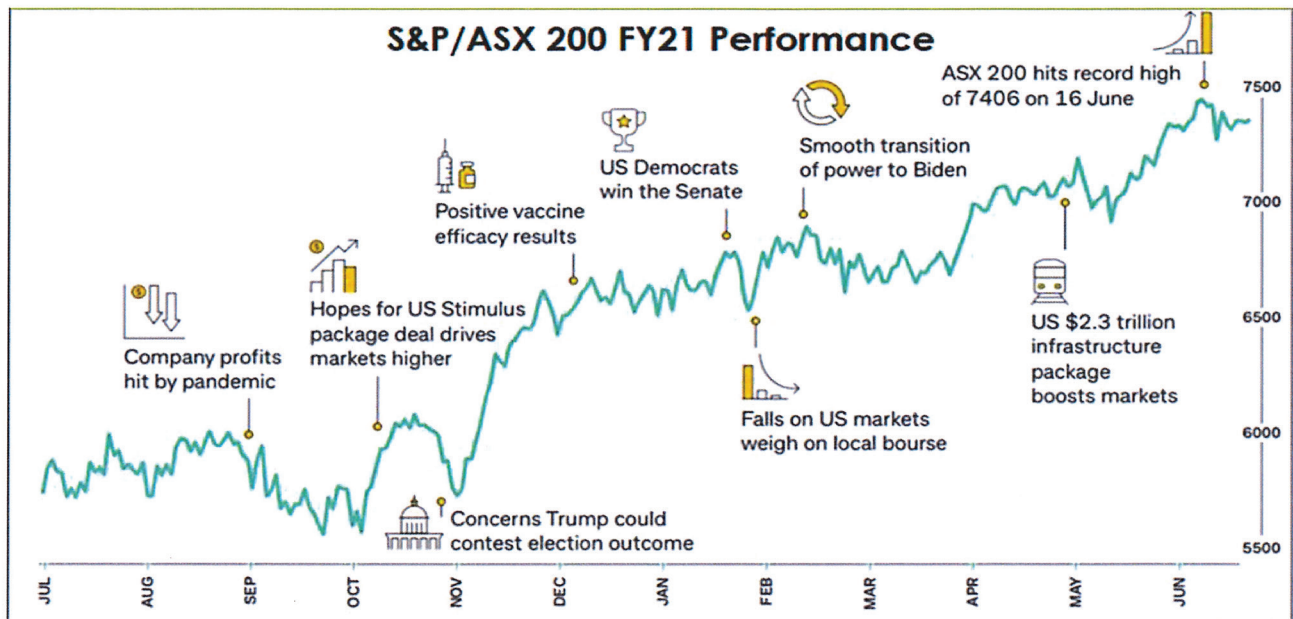
On behalf of the Board of Trustees of the Fire and Emergency Services Superannuation Fund, it is once again my pleasure to provide you with our report on the major activities and achievements of the Fund for the year ended 30 June 2021.

## Performance and Investments

### Market Summary

Asset Class Performance as at 30 June 2021					
Asset Class	6 months	1 year	3 years	5 years	10 years
Australian shares	12.90%	27.80%	9.59%	11.16%	9.26%
International shares (AUD)	16.25%	27.50%	14.50%	14.73%	14.82%
Australian Fixed Interest	0.14%	0.70%	2.05%	2.03%	3.08%
Australian Listed Property	9.94%	33.24%	7.74%	5.79%	11.77%
Cash	0.01%	0.06%	0.96%	1.29%	2.19%
Australian Dollar (vs USD)	-2.55%	9.61%	0.41%	0.12%	-3.51%

The recovery from the COVID-19 pandemic gained momentum as 2021 progressed on the back of an accelerating global vaccine rollout, continued fiscal and monetary stimulus and pent-up consumer demand. This resulted in much better-than-expected economic growth outcomes across the global economy.



Markets followed the same trend with continued gains from last year's pandemic lows with the MSCI All Country World Index gaining 27.5% in local currency terms (38.5% in USD terms) for the FY21 period, to reach fresh record highs. Gains were led by U.S. markets with the S&P 500 adding 38.6% and Nasdaq Index adding an even stronger 44.2%. European stocks lifted by 25.6% and the S&P/ASX 200 also eventually surpassed pre-COVID February 2020 levels with a 27.8% financial year gain.

Inflation concerns were accentuated in May after U.S. inflation showed a greater than 3% annual increase at the core level. The Fed reaffirmed its view that this rate of inflation over the coming months was likely to be 'transitory', due to the base effects of suppressed inflation last year, ongoing supply chain disruptions and lagged effects of prior increases in commodity prices.

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Despite stronger than expected growth and inflation, global bond yields declined, indicating markets agree with the view that higher inflation will be transitory. After peaking at 1.78% in late March, the U.S. 10-year bond yield retreated to 1.47% by financial year-end. This has supported the continued rally on equity markets given the still robust outlook for corporate earnings. The key questions marks that lie ahead for markets will be whether companies can deliver on these lofty earnings expectations and just how quickly central banks will begin to taper monetary policy support.

Under the above-mentioned circumstances, the Board is pleased to advise that the Defined Benefit section of the Fund returned 11.9% and the crediting rate for the Smoothed option was 14.5% for accumulation accounts and 15.8% for pension accounts.

### **Membership and Assets**

- Overall membership of the Fund increased from 2,390 to 2,451 members.
- During the year the Fund paid out \$34.8m (\$32.9m in 2020) in benefits.
- The Fund received \$44.9m (\$42.1m in 2020) in contributions during the year.
- The Fund's net assets increased significantly from \$752m to \$858m.

### **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 2021 reported that "the financial position of the Fund was satisfactory", with the Vested Benefits Ratio being 129% (including Supplementary Disablement assets). The Funds target index is 120%.

### **Governance and Compliance**

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

### **Member Services**

During the year the Board conducted a member survey in order to ascertain if members were satisfied with the products and services the fund was providing. The results of the survey indicated that 65% of all active members and 91% of pension and retained benefit members surveyed were satisfied with the service the fund was providing.

The results of the survey of active members appears to be influenced by a small group of members who have become unsatisfied with their membership of the defined benefit scheme. The Board is currently working on forming a stakeholder committee to determine the best way forward to deal with this matter.

### **Board and Staff**

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

During the year, Kelly Wyeth, Member Representative, resigned from the Board due to personal reasons. I would like to thank Kelly for the contribution he made to the Board during his tenure and wish him all the best for the future.

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

I commend the 2021 Annual Report of the Fire and Emergency Services Superannuation Board to all interested parties.



**Frank Sciarrone**  
Chair

# Executive Summary

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## Performance Highlights

- The Fund's Actuary has reported that the "financial position of the Fund was satisfactory", with the Vested Benefits Ratio being 129%. The Fund's target index is 120%.
- The Fire and Emergency Services Superannuation Board declared smoothed earning rates of 14.5% for accumulation accounts and 15.7% for pension accounts.
- Overall membership of the Fire and Emergency Services Superannuation Fund increased from 2,390 to 2,451 members.
- The average member balance increased from \$314,575 to \$349,868.
- During the 2020/21 financial year, the Fund paid out \$34.78m in benefits.
- The Fund received \$44.87m in contributions during the year, which was an increase of 5.04% on the previous year predominantly due to increased member voluntary contributions into the Fund.
- Due to positive investment market performance, the Fund's net assets grew from \$751.83m to \$857.52m.

## 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. Mark McGowan MLA; Premier; Treasurer; Minister for Public Sector Management; Federal-State Relations.

## 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

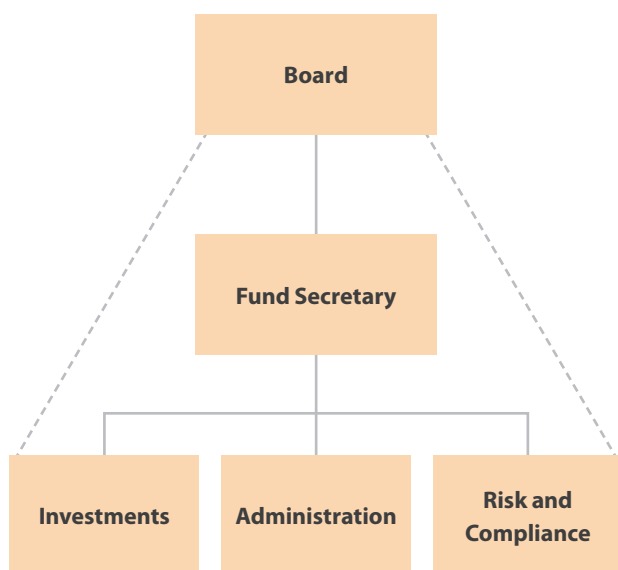


# Organisational Structure

## 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 2022. 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 2022. Ms Lamont is a Human Resources consultant and a member of the Australian Institute of Company Directors, the Australian Human Resources Institute and the Australian Institute of Superannuation Trustees.

### MR BOYD WINTON

Mr Winton was appointed to the role of Board Member on 1 July 2020 and his current term expires on 30 June 2023. Mr Winton is currently the Managing Director of Australis Solar and is a graduate of the Australian Institute of Company Directors. Mr Winton has a Bachelor of Economics and a Bachelor of Accounting and Finance.

### 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 resigned from the Board effective 30 June 2021. 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 2023. Mr Jolly is a Station Officer with the Department of Fire and Emergency Services.

## Alternate Board Members

### MR RICHARD BURNELL

Mr Burnell was first appointed to the role of Alternate Board Member on 18 August 2018 and his current appointment expires on 30 June 2023. Mr Burnell is the Executive Director of Corporate Services with the Department of Fire and Emergency Services.

### MR KEVIN LANDWEHR

Mr Landwehr was elected to the role of Alternate Board Member on 19 August 2020 and his current appointment expires on 18 August 2021. Mr Landwehr is a Station Officer with the Department of Fire and Emergency Services.

### MS TANIA LONGMAN

Ms Longman was elected to the role of Alternate Board Member on 19 August 2020 and her current appointment expires on 18 August 2021. Ms Longman is the Administrator 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 2021. Mr Markovic is a Senior Firefighter with the Department of Fire and Emergency Services.

## Compensation and Remuneration

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

Position	Name	Date of appointment	2020/21 Remuneration
Chairperson	Frank Sciarone	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	Boyd Winton	July 2020	\$13,838
Board Member	Kelly Wyeth *	August 2016	Nil
Alternate Member	Richard Burnell *	August 2018	Nil
Alternate Member	Kevin Landwehr *	August 2020	Nil
Alternate Member	Tania Longman	August 2020	\$5,766
Alternate Member	Paul Markovic *	August 2017	Nil

\* In accordance with government policy, Board Members who are public sector employees were not paid additional remuneration for sitting on the Board.

## Senior Officer

### 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.

# 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 2020/21.

## Shared Responsibilities with Other Agencies

The Board did not share any responsibilities with other Agencies in 2020/21.

# Significant Issues Impacting the Board

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## Current and emerging issues

From 1 July 2021 the following changes will be made to the superannuation rules.

### Rise in the concessional (before-tax) contribution cap

From 1 July 2021, the annual cap for concessional (before-tax) contributions into your super account will rise to \$27,500. Over the period 1 July 2017 to 30 June 2021, the annual concessional contributions cap was set at \$25,000. The higher concessional contribution cap means you can contribute more to your super account on a pre-tax basis. It may also allow you to make bigger concessional contributions in future years if you take advantage of unused concessional cap amounts from previous years to make a carry-forward contribution.

### Higher non-concessional (after-tax) contributions cap

The increase in the concessional contributions cap means the general non-concessional contributions cap is also increasing from 1 July 2021 to \$110,000 per year. From 1 July 2017 to 30 June 2021, the annual non-concessional contributions cap was set at \$100,000. If you're eligible, you may be able to start a bring-forward arrangement. This allows you to use up to three years of non-concessional contributions caps in a single financial year (3 years x \$110,000 = \$330,000).

### Increase in Super Guarantee percentage

From 1 July 2021, the percentage rate for the Super Guarantee (SG) will increase from 9.5% to 10.0%. Employers will need to contribute additional money into their employees' super accounts for the higher SG percentage rate. The SG has been set at 9.5% since 2014 and under the current schedule of legislated increases will rise again to 10.5% on 1 July 2022.

### Increase in the Total Super Balance (TSB) cap

The total limit on the amount you can contribute to super over your lifetime is called the Total Super Balance cap and from 1 July 2021 this amount is increasing to \$1.7 million. Once your super balance exceeds the TSB, you are unable to make any more non-concessional contributions into your super account.

### Increase in the general Transfer Balance Cap (TBC)

The limit on the amount you can transfer from the accumulation phase to a retirement phase pension is increasing to \$1.7 million for anyone starting a new pension on or after 1 July 2021. From 1 July 2017 to 30 June 2021, the general TBC was set at \$1.6 million. If you had a transfer balance account of \$1.6 million at any time since 1 July 2017, you are not eligible for the \$100,000 increase. Transfer balance accounts below the previous \$1.6 million cap receive a portion of the increase.

### Temporary reduction in super pension minimum drawdowns

The government again reduced the minimum drawdown rates by 50% for account-based pensions and similar products in the 2021-22 income year. The temporary reduction also applied to the 2019-20 and 2020-21 financial years.

### Your Future, Your Super reforms

The controversial *Treasury Laws Amendment (Your Future, Your Super) Act* received Royal Assent on 22 June 2021 and ushered in a number of significant reforms to the super system. The changes include a new ATO online YourSuper comparison tool for consumers from 1 July 2021 and 'stapling' of fund members to their existing super fund from 1 November 2021. The legislation also impacts the running of large super funds. From 1 July 2021, APRA will introduce benchmarking tests for the net investment performance of MySuper products. It also strengthens the obligations on super fund trustees to only act in the best financial interests of members and to provide better information on how they manage and spend members' money.

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## Bring-forward rule extended to age 65 and 66

Older super fund members keen to make larger non-concessional contributions into their super account finally have their wish with the passage of the *Treasury Laws Amendment (More Flexible Superannuation) Act 2021*. The legislation now allows eligible people aged 65 and 66 to commence bring-forward arrangements and make up to three years of annual non-concessional contributions caps in a single year. The change was backdated to cover contributions made on or after 1 July 2020.

## Excess Concessional Contribution (ECC) Charge removed

From 1 July 2021, people exceeding their annual concessional contribution cap (\$27,500 in 2021-22), will no longer be liable to pay the ATO's Excess Concessional Contributions (ECC) Charge. The *Treasury Laws Amendment (More Flexible Superannuation) Act 2021* removed the ECC Charge requirement, although anyone exceeding their annual concessional cap will still be issued with a determination and be taxed at their marginal tax rate (less a 15% tax offset) on the excess amount.

## Recontribution of COVID-19 early release amounts

The *Treasury Laws Amendment (More Flexible Superannuation) Act 2021* also includes provisions allowing individuals who received a COVID-19 early release of up to \$20,000 from their super amount to re-contribute it without the money counting towards their annual non-concessional contributions cap. The contributions can be made between 1 July 2021 and 30 June 2030, but must not exceed the actual amount accessed early and cannot be claimed as a tax deduction for a voluntary personal super contribution.

## 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 2020/21 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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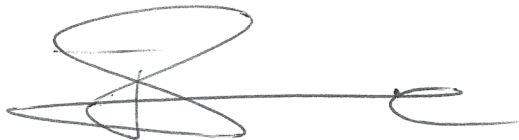
The accompanying financial statements of the Fire and Emergency Services Superannuation Board (the Fund) have been prepared in compliance with the provisions of the Financial Management Act 2006 from proper accounts and records, to present fairly the financial transactions for the financial year ended 30 June 2021, and the financial position as at 30 June 2021.

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.



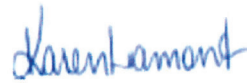
**Adrian Rutter**

Fund Secretary/Chief Finance Officer  
22 September 2021



**Frank Sciarrone**

Chair  
22 September 2021



**Karen Lamont**

Board Member  
22 September 2021



## Auditor General

### INDEPENDENT AUDITOR'S REPORT 2021

#### Fire and Emergency Services Superannuation Fund

To the Parliament of Western Australia

## Report on the audit of the financial statements

### Opinion

I have audited the financial statements of the Fire and Emergency Services Superannuation Fund (the Fund) which comprise:

- the Statement of Financial Position at 30 June 2021, and the Income Statement, Statement of Changes in Member Benefits, Statement of Changes in Reserves and Statement of Cash Flows for the year then ended
- Notes comprising a summary of significant accounting policies.

In my opinion, the financial statements are:

- based on proper accounts and present fairly, in all material respects, the operating results and cash flows of the Fire and Emergency Services Superannuation Fund for the year ended 30 June 2021 and the financial position at the end of that period
- in accordance with Australian Accounting Standards, the *Financial Management Act 2006* and the Treasurer's Instructions.

### Basis for opinion

I conducted my audit in accordance with the Australian Auditing Standards. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my report.

I am independent of the Fund in accordance with the *Auditor General Act 2006* and the relevant ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (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.

## Responsibilities of the Trustee for the financial statements

The Trustee is responsible for:

- keeping proper accounts
- preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, the *Financial Management Act 2006* and the Treasurer's Instructions
- such internal control as it 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 Trustee is responsible for:

- assessing the entity's ability to continue as a going concern
- disclosing, as applicable, matters related to going concern
- using the going concern basis of accounting unless the Western Australian Government has made policy or funding decisions affecting the continued existence of the Fund.

## Auditor's responsibilities 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. 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.

A further description of my responsibilities for the audit of the financial statements is located on the Auditing and Assurance Standards Board website. This description forms part of my auditor's report and can be found at [https://www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](https://www.auasb.gov.au/auditors_responsibilities/ar4.pdf).

## Report on the audit of controls

### Opinion

I have undertaken a reasonable assurance engagement on the design and implementation of controls exercised by the Fire and Emergency Services Superannuation Fund. The controls exercised by the Fund are those policies and procedures established by the Trustee 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 Fund 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 2021.



## The Trustee's responsibilities

The Trustee 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 were implemented as designed.

An assurance engagement involves performing procedures to obtain evidence about the suitability of the controls design to achieve the overall control objectives and the implementation of those controls. The procedures selected depend on my judgement, including an 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 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 audit of the key performance indicators

### Opinion

I have undertaken a reasonable assurance engagement on the key performance indicators of the Fire and Emergency Services Superannuation Fund for the year ended 30 June 2021. The key performance indicators are the Under Treasurer-approved key effectiveness indicators and 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 Fund are relevant and appropriate to assist users to assess the Fund's performance and fairly represent indicated performance for the year ended 30 June 2021.

## The Trustee's responsibilities for the key performance indicators

The Trustee 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 Trustee 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 Trustee 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 responsibilities

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 the entity'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.

## Other information

The Trustee is responsible for the other information. The other information is the information in the entity's annual report for the year ended 30 June 2021, but not the financial statements, key performance indicators and my auditor's report.

My opinions do not cover the other information and, accordingly, I do not express any form of assurance conclusion thereon.

### **Matters relating to the electronic publication of the audited financial statements and key performance indicators**

This auditor's report relates to the financial statements, controls and key performance indicators of the Fire and Emergency Services Superannuation Fund for the year ended 30 June 2021 included on the Fund's website. The Fund's management is responsible for the integrity of the Fund's website. This audit does not provide assurance on the integrity of the Fund's website. The auditor's report refers only to the financial statements, controls 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, controls or key performance indicators. If users of the financial statements, controls and key performance indicators are concerned with the inherent risks arising from publication on a website, they are advised to contact the entity to confirm the information contained in the website version of the financial statements, controls and key performance indicators.

Caroline Spencer  
Auditor General for Western Australia  
Perth, Western Australia  
22 September 2021

# Financial Statements

## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	Notes	2021	2020
		\$	\$
<b>ASSETS</b>			
Cash and cash equivalents	22(b)	27,578,686	12,771,991
Receivables	16	23,179,626	16,657,524
Financial investments	5	762,703,321	679,680,561
Other investments	6	46,425,576	37,647,000
Investment properties	7	6,750,000	6,750,000
Land and buildings	8	1,780,000	1,800,000
Plant and equipment		80,000	97,500
Prepayments		2,550,672	91,746
Deferred tax assets	15(e)	63,111	55,186
<b>TOTAL ASSETS</b>		<b>871,110,992</b>	<b>755,551,508</b>
<b>LIABILITIES</b>			
Payables	17	2,893,012	504,060
Current tax liabilities	15(d)	3,419,996	2,493,254
Provisions	18	147,821	140,332
Deferred tax liabilities	15(e)	7,125,364	580,612
<b>TOTAL LIABILITIES EXCLUDING MEMBER BENEFITS</b>		<b>13,586,193</b>	<b>3,718,258</b>
<b>NET ASSETS AVAILABLE FOR MEMBER BENEFITS</b>		<b>857,524,799</b>	<b>751,833,250</b>
<b>MEMBER BENEFITS</b>			
Defined contribution member liabilities	12	393,516,587	327,485,859
Defined benefit member liabilities	10	363,457,449	374,942,418
<b>TOTAL MEMBER BENEFITS</b>		<b>756,974,036</b>	<b>702,428,277</b>
<b>NET ASSETS</b>		<b>100,550,763</b>	<b>49,404,973</b>
<b>RESERVES</b>			
Operational risk financial reserve	13	2,338,425	2,316,668
SDB reserve	13	35,916,363	31,180,164
Defined benefits that are over/(under) funded		62,295,975	15,908,141
<b>TOTAL RESERVES</b>		<b>100,550,763</b>	<b>49,404,973</b>

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

## INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2021	2020
		\$	\$
<b>SUPERANNUATION ACTIVITIES REVENUE</b>			
Interest revenue		1,395,565	2,210,047
Distributions from unit trusts		36,873,230	32,300,067
Net remeasurement changes in fair value		71,741,324	(45,166,227)
Net rentals from directly held property	19	18,086	14,552
Other income		964,959	1,553,410
<b>TOTAL SUPERANNUATION ACTIVITIES REVENUE</b>		<b>110,993,164</b>	<b>(9,088,151)</b>
<b>EXPENSES</b>			
Investment expenses		584,203	615,489
Administration expenses		2,903,613	3,037,373
Other operating expenses	20	357,487	389,169
<b>TOTAL EXPENSES</b>		<b>3,845,303</b>	<b>4,042,031</b>
<b>RESULTS FROM SUPERANNUATION ACTIVITIES BEFORE INCOME TAX EXPENSE</b>			
		<b>107,147,861</b>	<b>(13,130,182)</b>
Income tax expense/(benefit)	15(a)(b)	6,828,014	(2,721,267)
<b>RESULTS FROM SUPERANNUATION ACTIVITIES AFTER INCOME TAX</b>			
		<b>100,319,847</b>	<b>(10,408,915)</b>
Net change in defined benefit member liabilities		4,408,344	(5,607,163)
Net benefits allocated to defined contribution member accounts		(53,582,401)	4,870,132
<b>TOTAL ALLOCATION TO MEMBER BENEFITS</b>		<b>(49,174,057)</b>	<b>(737,031)</b>
<b>NET RESULT AFTER INCOME TAX</b>		<b>51,145,790</b>	<b>(11,145,946)</b>

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

## STATEMENT OF CHANGES IN MEMBER BENEFITS FOR THE YEAR ENDED 30 JUNE 2021

	Notes	Defined Contribution Members	Defined Benefit Members	Total
		\$	\$	\$
<b>YEAR ENDED 30 JUNE 2021</b>				
<b>Opening balance at 1 July 2020</b>		<b>327,485,859</b>	<b>374,942,418</b>	<b>702,428,277</b>
<b>CONTRIBUTION REVENUE</b>				
Employer contributions		4,185,381	29,631,459	33,816,840
Member contributions		5,187,132	232,187	5,419,319
Spouse contributions		385,680	-	385,680
Government co-contributions		10,890	-	10,890
Transfers from other superannuation entities		5,241,450	-	5,241,450
Transfers from defined benefit to defined contribution		32,477,005	(32,477,005)	-
Total contributions		47,487,538	(2,613,359)	44,874,179
Income tax on contributions	15(c)	(648,657)	(4,444,719)	(5,093,376)
<b>Net after tax contributions</b>		<b>46,838,881</b>	<b>(7,058,078)</b>	<b>39,780,803</b>
<b>BENEFITS PAID</b>				
Transfers to other superannuation entities		(11,930,437)	-	(11,930,437)
Cash benefit payments		(11,734,412)	-	(11,734,412)
Pension payments		(11,119,594)	-	(11,119,594)
<b>Net benefits paid</b>		<b>(34,784,443)</b>	<b>-</b>	<b>(34,784,443)</b>
<b>INSURANCE</b>				
Insurance premiums charged to member accounts		(2,957)	(21,821)	(24,778)
Income tax benefit on insurance premiums	15(c)	444	3,273	3,717
Insurance premiums charged to defined benefit calculation		-	(2,522,973)	(2,522,973)
Income tax benefit on insurance premiums credited to defined benefit calculation	15(c)	-	378,446	378,446
Death and disability benefits credited to members accounts		2,540,930	-	2,540,930
<b>Net Insurance (cost)/benefit</b>		<b>2,538,417</b>	<b>(2,163,075)</b>	<b>375,342</b>
<b>INCOME AND EXPENSES</b>				
Reserve transfers to/(from) members:				
Investment reserves		-	-	-
Net benefits allocated to members' accounts comprising:				
Net investment income		53,582,401	-	53,582,401
Net change in defined benefit member benefits		-	(4,408,344)	(4,408,344)
<b>Net income/(expenses)</b>		<b>53,582,401</b>	<b>(4,408,344)</b>	<b>49,174,057</b>
<b>Closing Balance at 30 June 2021</b>	<b>10,12</b>	<b>393,516,587</b>	<b>363,457,449</b>	<b>756,974,036</b>

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

## STATEMENT OF CHANGES IN MEMBER BENEFITS FOR THE YEAR ENDED 30 JUNE 2021

	Notes	Defined Contribution Members	Defined Benefit Members	Total
		\$	\$	\$
<b>YEAR ENDED 30 JUNE 2020</b>				
<b>Opening balance at 1 July 2019</b>		<b>318,648,881</b>	<b>369,457,855</b>	<b>688,106,736</b>
<b>CONTRIBUTION REVENUE</b>				
Employer contributions		4,263,383	28,219,033	32,482,416
Member contributions		3,600,202	237,473	3,837,675
Spouse contributions		27,640	-	27,640
Government co-contributions		8,690	-	8,690
Transfers from other superannuation entities		6,363,284	-	6,363,284
Transfers from defined benefit to defined contribution		22,127,576	(22,127,576)	-
Total contributions		36,390,775	6,328,930	42,719,705
Income tax on contributions	15(c)	(639,507)	(4,232,855)	(4,872,362)
<b>Net after tax contributions</b>		<b>35,751,268</b>	<b>2,096,075</b>	<b>37,847,343</b>
<b>BENEFITS PAID</b>				
Transfers to other superannuation entities		(6,584,412)	-	(6,584,412)
Cash benefit payments		(15,551,195)	-	(15,551,195)
Pension payments		(10,786,227)	-	(10,786,227)
<b>Net benefits paid</b>		<b>(32,921,834)</b>	<b>-</b>	<b>(32,921,834)</b>
<b>INSURANCE</b>				
Insurance premiums charged to member accounts		(4,802)	(11,977)	(16,779)
Income tax benefit on insurance premiums	15(c)	720	1,797	2,517
Insurance premiums charged to defined benefit calculation		-	(2,598,230)	(2,598,230)
Income tax benefit on insurance premiums credited to defined benefit calculation	15(c)	-	389,735	389,735
Death and disability benefits credited to members accounts		2,415,979	-	2,415,979
<b>Net Insurance (cost)/benefit</b>		<b>2,411,897</b>	<b>(2,218,675)</b>	<b>193,222</b>
<b>INCOME AND EXPENSES</b>				
Reserve transfers to/(from) members:				
Investment reserves		8,465,779	-	8,465,779
Net benefits allocated to members' accounts comprising:				
Net investment income		(4,870,132)	-	(4,870,132)
Net change in defined benefit member benefits		-	5,607,163	5,607,163
<b>Net income/(expenses)</b>		<b>3,595,647</b>	<b>5,607,163</b>	<b>9,202,810</b>
<b>Closing Balance at 30 June 2020</b>	<b>10,12</b>	<b>327,485,859</b>	<b>374,942,418</b>	<b>702,428,277</b>

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

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2021

	Operational Risk Financial 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 2021</b>						
<b>Opening balance as at 1 July 2020</b>	<b>2,316,668</b>	<b>31,180,164</b>	-	-	<b>15,908,141</b>	<b>49,404,973</b>
Amount allocated from defined contribution members	-	-	-	-	-	-
Amount allocated from/(to) defined benefit members	-	-	-	-	-	-
Net result	21,757	4,736,199	-	-	46,387,834	51,145,790
<b>Closing balance as at 30 June 2021</b>	<b>2,338,425</b>	<b>35,916,363</b>	-	-	<b>62,295,975</b>	<b>100,550,763</b>
<b>YEAR ENDED 30 JUNE 2020</b>						
<b>Opening balance as at 1 July 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>
Amount allocated from defined contribution members	-	-	(8,465,779)	-	-	(8,465,779)
Amount allocated from/(to) defined benefit members	-	-	-	(15,572,374)	15,572,374	-
Net result	136,835	801,993	-	-	(12,084,774)	(11,145,946)
<b>Closing balance as at 30 June 2020</b>	<b>2,316,668</b>	<b>31,180,164</b>	-	-	<b>15,908,141</b>	<b>49,404,973</b>

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



## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2021	2020
		\$	\$
<b>Cash flows from operating activities</b>			
Interest received		1,441,594	2,307,267
Unit trust distributions		3,605,165	7,654,926
Rental income		325,772	474,327
Rental property expenses		(284,851)	(386,260)
Fee rebates and other income		(27,517)	210,952
Investment expenses		(128,074)	(107,298)
Administration expenses		(3,385,632)	(3,002,761)
Income tax paid		(440,684)	(1,037,560)
<b>Net cash inflows from operating activities</b>	<b>22(a)</b>	<b>1,105,773</b>	<b>6,113,593</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of investments		130,953,726	135,894,921
Payments for purchase of investments		(124,313,262)	(140,103,213)
Purchase of plant and equipment		(2,388)	(10,194)
<b>Net cash outflows from investing activities</b>		<b>6,638,076</b>	<b>(4,218,486)</b>
<b>Cash flows from member activities</b>			
Employer contributions		34,426,156	31,873,100
Member contributions		5,424,588	3,832,406
Spouse contributions		386,000	27,320
Government co-contributions		10,890	8,690
Transfers from other superannuation funds		5,241,450	6,363,284
Transfers to other superannuation funds		(11,930,437)	(6,584,412)
Cash benefit payments		(11,734,412)	(15,551,195)
Pension payments		(11,119,594)	(10,786,227)
Insurance recoveries		2,540,930	2,415,979
Insurance premiums outwards		(2,547,751)	(2,615,009)
Tax paid on contributions		(3,634,974)	(4,299,956)
<b>Net cash inflows from financing activities</b>		<b>7,062,846</b>	<b>4,683,980</b>
<b>Net increase in cash and cash equivalents</b>		<b>14,806,695</b>	<b>6,579,087</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>12,771,991</b>	<b>6,192,904</b>
<b>Cash and cash equivalents at end of the financial year</b>	<b>22(b)</b>	<b>27,578,686</b>	<b>12,771,991</b>

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

# Notes of the Financial Statements

## 1. REPORTING ENTITY

The Fund is a hybrid fund providing defined benefits as well as defined contribution benefits. The objective of the Trustee is to ensure that the benefit entitlements of members and other beneficiaries are fully funded by the time they become payable. The Fund is domiciled in Australia. The registered office of the 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 the Fire and Emergency Services Superannuation Board (RSE No L0001700).

The financial statements were approved by the Fire and Emergency Services Superannuation Board on 22 September 2021.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless covered in other notes to the financial statements, the principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated in the following text.

### (A) BASIS OF PREPARATION

The 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 the notes to these financial statements.

The statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and do not distinguish between current and non-current.

The financial statements are prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated.

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

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2020 that have a material impact on the amounts recognised in the prior or current periods or that will affect future periods.

### (C) 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 2021 reporting periods and have not been early adopted by the Fund. None of these are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

### (D) 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 2(j).

#### Non-market quoted investments

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.

#### *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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### *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.

### Market quoted investments

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.

### Investment properties

Investment properties comprise investment interests in land and buildings (including integral plant and 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 directly held property.

## **(E) 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.

## **(F) 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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (G) 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..

#### Rent

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.

### (H) 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.

### (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 table 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) 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.

### (K) LAND & BUILDINGS

Land and 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.

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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### **(L) 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.

### **(M) 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 have transferred to the Fund and are recorded gross of any tax.

### **(N) 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.

### **(O) 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 10 and the fair value of financial instruments (Notes 3, 4, 6 and 8) and investment properties (Note 7).

### **(P) FUNCTIONAL AND PRESENTATION CURRENCY**

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

### **(Q) COMPARATIVES**

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year information and other disclosures.

### 3. FAIR VALUE OF FINANCIAL INSTRUMENTS

#### Fair Value Estimation

Fair value reflects the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Quoted prices are used to determine fair value where an active market exists. If the market for a financial asset or liability is not active, fair values are estimated using discounted cash flow or other valuation techniques, using inputs based on market conditions prevailing on the measurement date.

The Fund's financial assets and liabilities are carried at fair value. The major methods and assumptions used in determining the fair value of financial instruments is disclosed in Note 2(d).

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 2021	\$	\$	\$	\$
<b>Financial and other assets at fair value through profit or loss</b>				
<i>(i) Listed and unlisted securities</i>				
- Securities in listed entities	2,585,010	-	-	2,585,010
- Units in unlisted unit trusts	-	697,699,700	-	697,699,700
- Shares in unlisted companies	-	-	10,571,000	10,571,000
<i>(ii) Interest bearing securities</i>				
- Deposits	27,942,516	-	-	27,942,516
- Fixed interest securities	-	34,476,095	-	34,476,095
- Loans	-	-	35,854,576	35,854,576
	30,527,526	732,175,795	46,425,576	809,128,897

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

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.

	Mortgages	Shares in Unlisted Companies	Total
30 June 2021	\$	\$	\$
<b>Opening Balance</b>	<b>27,261,000</b>	<b>10,386,000</b>	<b>34,647,000</b>
Total gains and losses in profit or loss	3,754,000	185,000	3,939,000
Transfers in	-	-	-
Purchases	4,839,576	-	4,839,576
Sales	-	-	-
<b>Closing Balance</b>	<b>35,854,576</b>	<b>10,571,000</b>	<b>46,425,576</b>

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

30 June 2021	\$
Total gains/(losses) included in income statement for the period	3,939,000
Total gains/(losses) included in income statement for the period for assets held at the end of the reporting period	3,939,000

	Level 1	Level 2	Level 3	Total
30 June 2020	\$	\$	\$	\$
<b>Financial and other assets at fair value through profit or loss</b>				
<i>(i) Listed and unlisted securities</i>				
- Securities in listed entities	2,345,058	-	-	2,345,058
- Units in unlisted unit trusts	-	613,801,816	-	613,801,816
- Shares in unlisted companies	-	-	10,386,000	10,386,000
<i>(ii) Interest bearing securities</i>				
- Deposits	31,707,862	-	-	31,707,862
- Fixed interest securities	-	31,825,824	-	31,825,824
- Loans	-	-	27,261,000	27,261,000
	34,052,920	645,627,640	37,647,000	717,328,560

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

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.

	Mortgages	Shares in Unlisted Companies	Total
30 June 2020	\$	\$	\$
<b>Opening Balance</b>	<b>19,801,573</b>	<b>9,608,937</b>	<b>29,410,510</b>
Total gains and losses in profit or loss	3,859,427	777,063	4,636,490
Transfers in	-	-	-
Purchases	3,600,000	-	3,600,000
Sales	-	-	-
<b>Closing Balance</b>	<b>27,261,000</b>	<b>10,386,000</b>	<b>37,647,000</b>

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

30 June 2020	\$
Total gains/(losses) included in income statement for the period	4,636,490
Total gains/(losses) included in income statement for the period for assets held at the end of the reporting period	4,636,490

The table below sets out information about significant unobservable inputs used at 30 June 2021 in measuring financial instruments categorised as Level 3 in the fair value hierarchy.

Type	Level 3 \$'000	Valuation approach	Key unobservable input	Inter-relationship between key unobservable inputs and fair value measurement
Mortgages	35,854,576	Discounted cash flow methodology	Discount rate	Higher the discount rate, lower the valuation
Ordinary Shares in Unlisted Companies	4,003,000	Waterfall calculation based on the fair value of the net assets of the unlisted entity less the fair value allocated to the mortgage loan and preference shares.	Status of the development of the underlying property	N/A
Preference Shares in Unlisted Companies	6,568,000	Discounted cash flow methodology	Discount rate	Higher the discount rate, lower the valuation
	<b>46,425,576</b>			



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

The table below sets out information about significant unobservable inputs used at 30 June 2020 in measuring financial instruments categorised as Level 3 in the fair value hierarchy.

Type	Level 3 \$'000	Valuation approach	Key unobservable input	Inter-relationship between key unobservable inputs and fair value measurement
Mortgages	27,261,000	Discounted cash flow methodology	Discount rate	Higher the discount rate, lower the valuation
Ordinary Shares in Unlisted Companies	4,615,000	Waterfall calculation based on the fair value of the net assets of the unlisted entity less the fair value allocated to the mortgage loan and preference shares.	Status of the development of the underlying property	N/A
Preference Shares in Unlisted Companies	5,771,000	Discounted cash flow methodology	Discount rate	Higher the discount rate, lower the valuation
	<b>37,647,000</b>			

### 4. 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 investment governance policy.

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 investment manager and related fund performance compared to the various indices and performance targets agreed to with the managers.

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## 4. FINANCIAL RISK MANAGEMENT (continued)

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.

### 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.

## 4. FINANCIAL RISK MANAGEMENT (continued)

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

	Fair Value	Fair Value
	2021	2020
	\$	\$
<b>Interest bearing financial instruments</b>		
Cash and Term deposits	55,521,202	44,479,853
Fixed interest securities	34,476,095	31,825,824
Mortgages	35,854,576	27,261,000
	<u>125,851,873</u>	<u>103,566,677</u>

### **Sensitivity analysis**

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

The investment manager advised that the fair value of the fixed interest securities owned by the Fund are not significantly affected by movements in interest rates as they are "floating rate notes" whose coupon is re-set every three months in line with prevailing market interest rates. Their value is determined primarily by the credit margins of the underlying securities together with other market factors such as liquidity. Should there be a positive or negative movement in interest rates for the interest bearing financial instruments by 75 basis points the net result after tax and net assets available for member benefits would have increased/decreased by \$802,306 (2020: \$650,197).

### **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.

#### 4. FINANCIAL RISK MANAGEMENT (continued)

30 June 2021 Investment	5 Year Standard Deviation	Net result after tax	Net assets available for member benefits
		\$	\$
Interest bearing investments	0.22%	±61,474	±61,474
Fixed interest securities	2.03%	±699,865	±699,865
Securities in listed entities	2.03%	±52,476	±52,476
Units in unlisted unit trusts	11.49%	±80,176,219	±80,176,219
Mortgages	2.03%	±727,848	±727,848
Shares in unlisted companies	17.76%	±1,877,410	±1,877,410
Investment properties	3.05%	±205,875	±205,875
Land and buildings	3.05%	±54,290	±54,290
<b>Total</b>		<b>±83,855,457</b>	<b>±83,855,457</b>

30 June 2020 Investment	5 Year Standard Deviation	Net result after tax	Net assets available for member benefits
		\$	\$
Interest bearing investments	0.15%	±47,562	±47,562
Fixed interest securities	2.44%	±776,550	±776,550
Securities in listed entities	2.44%	±57,219	±57,219
Units in unlisted unit trusts	10.64%	±65,329,179	±65,329,179
Mortgages	2.73%	±701,228	±701,228
Shares in unlisted companies	17.72%	±2,119,489	±2,119,489
Investment properties	3.24%	±218,700	±218,700
Land and buildings	3.24%	±58,320	±58,320
<b>Total</b>		<b>±69,308,247</b>	<b>±69,308,247</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.

## 4. 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.

	2021	2020
	\$	\$
Cash and cash equivalents	27,578,686	12,771,991
Interest bearing investments	27,942,516	31,707,862
Fixed interest securities	34,476,095	31,825,824
Securities in listed entities	2,585,010	2,345,058
Units in unlisted unit trusts	697,699,700	613,801,816
Mortgages	35,854,576	27,261,000
Shares in unlisted companies	10,571,000	10,386,000
Distributions receivable	22,961,883	15,837,947
Other receivables	114,483	30,780
Accrued interest	103,260	149,289
	859,887,209	746,117,567

### 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 and 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.

## 4. FINANCIAL RISK MANAGEMENT (continued)

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 2021	Less than 3 months	3 Months to 1 year	Total Contractual Cash Flows	Carrying Amount (Asset)/Liabilities
	\$	\$	\$	\$
Payables	2,893,012	-	2,893,012	2,893,012
Provisions	-	147,821	147,821	147,821
Current tax liabilities	2,011,244	1,408,752	3,419,996	3,419,996
Vested benefits	750,925,279	-	750,925,279	750,925,279
<b>Total</b>	<b>755,829,535</b>	<b>1,556,573</b>	<b>757,386,108</b>	<b>757,386,108</b>

30 June 2020	Less than 3 months	3 Months to 1 year	Total Contractual Cash Flows	Carrying Amount (Asset)/Liabilities
	\$	\$	\$	\$
Payables	504,060	-	504,060	504,060
Provisions	-	140,332	140,332	140,332
Current tax liabilities	1,874,922	618,332	2,493,254	2,493,254
Vested benefits	685,254,318	-	685,254,318	685,254,318
<b>Total</b>	<b>687,633,300</b>	<b>758,664</b>	<b>688,391,964</b>	<b>688,391,964</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.

## 5. INVESTMENTS

	2021	2020
	\$	\$
Interest bearing investments	27,942,516	31,707,862
Fixed interest securities	34,476,095	31,825,824
Securities in listed entities	34,476,095	2,345,059
Units in unlisted unit trusts	697,699,700	613,801,816
Mortgages	-	-
<b>Total Investment Reserves</b>	<b>762,703,321</b>	<b>679,680,561</b>

## 6. OTHER INVESTMENTS

	2021	2020
	\$	\$
<b>Fresh Fields Projects (WA) No 1</b>		
Class A Ordinary Shares	4,003,000	4,615,000
Class B Redeemable Preference Shares	3,847,000	3,374,000
Class D Redeemable Preference Shares	2,721,000	2,397,000
	10,571,000	10,386,000
Mortgage loan	6,792,000	5,022,000
Total Fresh Fields Projects (WA) No 1	17,363,000	15,408,000
<b>Karingal Green Aged and Community Care (WA) Pty Ltd</b>		
Mortgage loan	13,247,000	11,312,000
<b>Kogarah Health Aged and Community Care (NSW) Pty Ltd</b>		
Mortgage loan – A	12,657,000	10,927,000
Mortgage loan – B	519,000	-
	13,176,000	10,927,000
<b>Kings Square Master Trust</b>		
KS Loan Notes	2,639,576	-
<b>Total</b>	<b>46,425,576</b>	<b>37,647,000</b>

### Fresh Fields Projects (WA) No 1 Pty Ltd

Fresh Fields Projects (WA) No 1 Pty Ltd (Fresh Fields) 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.

The 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 \$8.8 million (2020: \$6.3 million), with a drawn balance of \$6.8 million (2020: \$5 million) as at reporting date.

The Fund has determined that Fresh Fields 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; and
2. the Fund commits to its members that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and the Fund measures and evaluates the performance of substantially all of its investments on a fair value basis.

As a consequence, the Fund has elected under paragraph 18 of AASB128 *Investments in Associates and Joint Ventures* to report its investments in Fresh Fields 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.

The Board has engaged Grant Thornton, an independent expert not related to the Fund, to provide a fair value estimation of the investment with each of the components valued as follows.

### Ordinary shares in Fresh Fields

The fair value of the shares is based on the fair value of the net assets of the JV Entity less the allocation to the Class D and B 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 2021. The fair value of certain of these assets has been determined by reference to an independent valuation.

## 6. OTHER INVESTMENTS (continued)

### Preference shares in Fresh Fields

The fair value has been determined using the discounted cash flow method. Each of the payments under the terms of the preference shares was discounted to the valuation date using a discount rate of 13.5% - 14.5% for B Class shares and 13% - 14% for the D Class shares, the midpoint value was used for the valuation.

### Mortgage loan to Fresh Fields

The fair value of the loan has been based on a discounted cash flow valuation which is considered to materially represent its fair value. A discount rate of between 3.5% - 4.5% was applied to the future cash flows for the mortgage loan.

### Karingal Green Aged and Community Care (WA) Pty Ltd – Mortgage Loan

The Fund has lent \$9 million (2020: \$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 engaged Grant Thornton, an independent expert not related to the Fund, to provide a fair value estimation of the mortgage at 30 June 2021 using the discounted cash flow method. Each payment under the terms of the mortgage was discounted to the valuation date using a discount rate of 12% - 13% and the midpoint value was used for the valuation.

### Kogarah Health Aged and Community Care (NSW) Pty Ltd – Mortgage Loan A

The Fund has lent \$8.75 million (2020: \$8.75 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
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 engaged Grant Thornton, an independent expert not related to the Fund, to provide a fair value estimation of the mortgage at 30 June 2021 using the discounted cash flow method. Each payment under the terms of the mortgage was discounted to the valuation date using a discount rate of 12.5% - 13.5% and the midpoint value was used for the valuation.

### Kogarah Health Aged and Community Care (NSW) Pty Ltd – Mortgage Loan B

The Fund has lent \$500,000 (2020: \$nil) 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 loan amount:	\$4,000,000 (\$500,000 drawn to 30 June 2021)
Interest Rate:	14% p.a. capitalised quarterly in arrears
Term:	3 years from initial drawdown
Security:	2nd ranking mortgage over all assets of the borrower plus various guarantees

The Board engaged Grant Thornton, an independent expert not related to the Fund, to provide a fair value estimation of the mortgage at 30 June 2021 using the discounted cash flow method. Each payment under the terms of the mortgage was discounted to the valuation date using a discount rate of 12.5% - 13.5% and the midpoint value was used for the valuation.

### Kings Square Master Trust

The Fund has lent \$2,639,576 to Kings Square Master Trust to fund the completion of the project's retail precinct and transaction costs associated with refinance of the existing loan facility.

The key terms of the loan are as follows:

Loan Type:	Loan Notes
Interest Rate:	25% internal rate of return payable at Maturity
Term:	Upon sale of the Kings Square Property or a refinance event
Security:	Unsecured

The loan was issued on 25 June 2021 therefore as per the board policy this is carried at cost at 30 June 2021 as it approximates fair value.



## 7. INVESTMENT PROPERTIES

	2021	2020
	\$	\$
Howe Street, Osborne Park	6,750,000	6,750,000
	6,750,000	6,750,000
<b>Movement in investment properties</b>		
Opening balance as at 1 July	6,750,000	6,600,000
Additions	86,421	-
Movement in fair value	(86,421)	150,000
	6,750,000	6,750,000

The fair value of the Howe Street property has been arrived at on the basis of a valuation as at 30 June 2021 carried out by Cushman & Wakefield, an independent valuer not related to the Fund. The valuation was prepared in accordance with Australian Property Institute's 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.

## 8. LAND AND BUILDINGS

	2021	2020
	\$	\$
Rokeby Road, Subiaco	1,780,000	1,800,000
<b>Movement in land and buildings:</b>		
Opening balance as at 1 July	1,800,000	1,800,000
Movement in fair value	(20,000)	-
	1,780,000	1,800,000

The fair value of the Fund's land and buildings has been arrived at on the basis of a valuation as at 30 June 2021 carried out by Cushman & Wakefield, independent valuers not related to the Fund. The valuation is prepared in accordance with Australian Property Institute's 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 vicinity 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.

## 9. 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 2021 at a standard rate of 11.75% (2020: 11.75%) of the salaries of those permanent employees who are defined benefit members of the Fund. The employer has also made additional contributions at the rate of 1% (2020: 1%) to fund the supplementary disablement benefits. Defined Benefit members of the Fund contributed at a minimum rate of 6.25% of salary for 2021 (2020: 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 2021 (2020: 9.5%).

The Fund also received salary sacrifice contributions from members during the year ended 30 June 2021.

Members make additional voluntary contributions at variable amounts.

## 10. 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 4.

Defined contributions members' liabilities are fully vested as at 30 June 2021.

### (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 2021 (previously 30 June 2020).

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

- The future rate of investment return earned on the Fund's investments would be 4.5% (2020: 4.5%). 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 1.0% p.a. for the first three years and then 2.5% p.a. thereafter (2020: 1.0% p.a. for the first three years and then 2.5% 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 5.0% per annum over the last 5 years and -0.6% 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 2021 reporting period.

- The future rate of investment return  $\pm 1\%$  (2020:  $\pm 1\%$ ).
- The future rate of salary increases  $\pm 1\%$  (2020:  $\pm 1\%$ ).

## 10. 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 2021</b>			
Future investment return	4.5%	+1%	(16,384,297)
		-1%	18,855,682
Future rate of salary increase + aged based promotional increases <sup>1</sup>	2.5%	+1%	18,965,045
		-1%	(16,778,732)
<b>30 JUNE 2020</b>			
Future investment return	4.5%	+1%	(17,713,304)
		-1%	20,524,233
Future rate of salary increase + aged based promotional increases <sup>1</sup>	2.5%	+1%	20,493,052
		-1%	(18,030,518)

<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:

	2021	2020
	\$	\$
Defined benefit liability for accrued benefits	363,457,449	374,942,418
Defined benefit assets (excluding investment fluctuation reserve)	<b>425,753,424</b>	<b>390,850,559</b>

The actuary stated the Fund was in a satisfactory financial position at 30 June 2021 (2020: satisfactory) measured by the coverage of vested benefits by assets.

The amount of vested benefits attributable to defined benefit members at 30 June 2021 is \$357,408,692 (2020: \$357,768,459).

## 11. GUARANTEED BENEFITS

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

## 12. 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.

	2021	2020
	\$	\$
<b>Defined Contribution Vested Benefits</b>		
Defined Benefit Members	80,853,890	72,664,217
Defined Contribution Benefit Members	46,036,190	28,007,402
Non-Member Spouse Benefits	3,789,475	2,504,587
Spouse Accounts	24,335,015	20,414,237
Allocated Pensioners	101,517,665	90,454,318
Term Allocated Pensioners	515,692	519,027
Retained Benefits	136,468,660	112,922,071
<b>Total defined contribution vested benefits</b>	<b>393,516,587</b>	<b>327,485,859</b>
<b>Defined Benefits Vested Benefits</b>		
Defined benefit members	357,408,692	357,768,459
Supplementary Pension Liabilities	-	-
<b>Total defined benefit vested benefits</b>	<b>357,408,692</b>	<b>357,768,459</b>
<b>Total Vested benefits</b>	<b>750,925,279</b>	<b>685,254,318</b>

## 13. 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. As required under Australian Prudential Regulation Authority standards, 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 SDB reserve is reviewed annually by the actuary. 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.

### 13. RESERVES (continued)

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

	2021	2020
	\$	\$
Smoothed Option Investment Reserve (defined contribution)	-	-
Defined Benefit Investment Fluctuation Reserve (defined benefit)	-	-
<b>Total Investment Reserves</b>	<b>-</b>	<b>-</b>

### 14. 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 member 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 member 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.

## 15. TAXATION

	2021	2020
	\$	\$
<b>(a) Major components of tax expense</b>		
Current income tax		
- Current tax charge	1,092,986	1,222,288
- Adjustment to current tax for prior period	(896,887)	8,942
Deferred income tax		
- Movement in temporary differences	6,631,915	(3,952,497)
Income tax expense	6,828,014	(2,721,267)
<b>(b) Numerical reconciliation between income tax expense and net result before income tax</b>		
Net result before income tax	107,147,861	(13,130,182)
Tax applicable at the rate of 15% (2020: 15%)	16,072,179	(1,969,527)
Tax effect of income/(losses) that are not assessable/(deductible) in determining taxable income		
- Investment income	(1,752,280)	(1,021,672)
- Discount capital gains	(3,758,829)	2,429,042
- Non assessable pension income	(1,385,396)	(60,905)
Tax effect of other adjustments		
- Imputation & foreign tax credits	(1,489,563)	(2,155,490)
- Expenses	38,790	48,343
- Over provision prior periods	(896,887)	8,942
Income tax expense/(benefit)	6,828,014	(2,721,267)
<b>(c) Recognised in the Statement of Changes in Member Benefits</b>		
Contributions, transfers in and insurance premiums recognised in the Statement of Changes in Member Benefits	44,874,179	42,719,705
Tax applicable at the rate of 15% (2020: 15%)	6,731,127	6,407,956
Tax effect of income/(losses) that are not assessable/(deductible) in determining taxable income		
- Member contributions & transfers In	(1,637,751)	(1,535,595)
- Insurance premiums	(382,163)	(392,251)
Income tax expense	4,711,213	4,480,110
<b>Split in members benefits as follows:</b>		
Contributions tax expense	5,093,376	4,872,362
Benefit on insurance premiums credited to members accounts	(3,717)	(2,517)
Benefit on insurance premiums credited to DB formula	(378,446)	(389,735)
Income tax expense	4,711,213	4,480,110

## 15. TAXATION (continued)

	2021	2020
	\$	\$
<b>(d) Current tax liabilities</b>		
<b>Provision for current income tax</b>		
Balance at beginning of year	2,493,254	2,214,520
Income tax paid – current period	(2,763,507)	(3,557,466)
Income tax paid – prior periods	(1,312,152)	(1,780,052)
Current years income tax expense	6,183,503	6,050,720
Over provision prior year	(1,181,102)	(434,468)
	3,419,996	2,493,254
<b>(e) Deferred tax assets and liabilities</b>		
<b>Deferred tax asset</b>		
Accrued expenses	63,111	55,186
<b>Deferred tax liabilities</b>		
Unrealised gains on investments	7,125,364	485,524
Contributions receivable	-	95,088
	7,125,364	580,612

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

	Opening balance	Charged to income	Closing balance
	\$	\$	\$
<b>30 June 2021</b>			
Gross deferred tax assets:			
Accrued expenses	55,186	7,925	63,111
Gross deferred tax liabilities:			
Unrealised gains on investments	485,524	6,639,840	7,125,364
Contributions receivable	95,088	(95,088)	-
Net deferred tax liabilities	525,426	6,536,827	7,062,253
<b>30 June 2020</b>			
Gross deferred tax assets:			
Accrued expenses	55,705	(519)	55,186
Gross deferred tax liabilities:			
Unrealised gains on investments	4,438,538	(3,953,014)	485,524
Contributions receivable	-	95,088	95,088
Net deferred tax liabilities	4,382,833	(3,857,407)	525,426

There were no unrecognised deferred tax assets at 30 June 2021 (2020: nil).

## 16. RECEIVABLES

	2021	2020
	\$	\$
Investment income receivables	23,065,143	15,987,236
Other receivables	66,808	20,869
GST receivable	47,675	9,911
Contributions receivable	-	639,508
	23,179,626	16,657,524

## 17. PAYABLES

	2021	2020
	\$	\$
Accounting fees	44,148	45,891
Actuarial fees	26,400	26,400
APRA fees	58,558	46,333
Audit fees	148,500	148,500
PAYG withholding tax	39,807	18,437
Sundry creditors	2,575,599	193,896
Overpaid Contributions refundable	-	24,603
	2,893,012	504,060

## 18. PROVISIONS

	2021	2020
	\$	\$
<b>Employee Benefits:</b>		
Annual leave payable	77,928	59,512
Long service leave payable	69,893	80,820
	147,821	140,332

## 19. NET RENTALS FROM DIRECTLY HELD PROPERTY

	2021	2020
	\$	\$
Rent received	325,772	400,812
Less investment property expenses	(307,686)	(386,260)
	18,086	14,552



## 20. OTHER OPERATING EXPENSES

	2021	2020
	\$	\$
Actuarial fees	82,695	69,257
Audit fees – external	140,394	156,621
Audit fees – internal	75,587	113,255
Board fees & allowances	48,944	44,332
Board elections	9,867	5,704
	357,487	389,169

## 21. EXPLANATORY STATEMENTS

### (A) COMPARISON 2021 RESULTS TO 2020 RESULTS

	Actual 2021	Actual 2020	Variance
	\$	\$	\$
<b>SUPERANNUATION ACTIVITIES REVENUE</b>			
Interest revenue	1,395,565	2,210,047	(814,482)
Distributions from unit trusts	36,873,230	32,300,067	4,573,163
Net remeasurement changes in fair value	71,741,324	(45,166,227)	116,907,551
Net rent from directly held property	18,086	14,552	3,534
Other income	964,959	1,553,410	(588,451)
<b>TOTAL REVENUE</b>	<b>110,993,164</b>	<b>(9,088,151)</b>	<b>120,081,315</b>
<b>EXPENSES</b>			
Investment expenses	584,203	615,489	(31,286)
Administration expenses	2,903,613	3,037,373	(133,760)
Other operating expenses	357,487	389,169	(31,682)
<b>TOTAL EXPENSES</b>	<b>3,845,303</b>	<b>4,042,031</b>	<b>(196,728)</b>
<b>RESULT BEFORE INCOME TAX</b>	<b>107,147,861</b>	<b>(13,130,182)</b>	<b>120,278,043</b>
Income tax expense/(benefit)	6,828,014	(2,721,267)	9,549,281
<b>RESULT AFTER INCOME TAX</b>	<b>100,319,847</b>	<b>(10,408,915)</b>	<b>110,728,762</b>
Net change in DB member benefits	4,408,344	(5,607,163)	10,015,507
Net benefits allocated to DC members	(53,582,401)	4,870,132	(58,452,533)
<b>NET RESULT</b>	<b>51,145,790</b>	<b>(11,145,946)</b>	<b>62,291,736</b>
<b>MOVEMENT IN MEMBERS BENEFITS</b>			
Contributions & transfers in	44,874,179	42,719,705	2,154,474
Tax on contributions	(5,093,376)	(4,872,362)	(221,014)
Benefits paid	(34,784,443)	(32,921,834)	(1,862,609)
Insurance premiums charged to members	(24,778)	(16,779)	(7,999)
Income tax benefit on insurance premiums	3,717	2,517	1,200
Insurance premiums charged to DB formula	(2,522,973)	(2,598,230)	75,257
Income tax benefit on insurance premiums charged to DB formula	378,446	389,735	(11,289)
Death and disability benefits credited to members accounts	2,540,930	2,415,979	124,951
Reserve transfers to/(from) members	-	8,465,779	(8,465,779)
Net benefits allocated to members' accounts	(53,582,401)	4,870,132	(58,452,533)
Net change in defined member benefits	4,408,344	(5,607,163)	10,015,507
<b>TOTAL MOVEMENT IN MEMBERS BENEFITS</b>	<b>(43,802,355)</b>	<b>14,321,541</b>	<b>(58,123,896)</b>

## 21. EXPLANATORY STATEMENTS (continued)

### (B) COMPARISON ACTUAL TO ESTIMATES

	Actual	Budget	Variance
	2021	2021	
	\$	\$	
<b>SUPERANNUATION ACTIVITIES REVENUE</b>			
Interest revenue	1,395,565	1,300,000	95,565
Distributions from unit trust	36,873,230	30,000,000	6,873,230
Net remeasurement changes in fair value	71,741,324	28,000,000	43,741,324
Net rentals from directly held property	18,086	-	18,086
Other income	964,959	1,501,000	(536,041)
<b>TOTAL REVENUE</b>	<b>110,993,164</b>	<b>60,801,000</b>	<b>50,192,164</b>
<b>EXPENSES</b>			
Investment expenses	584,203	700,000	(115,797)
Administration expenses	2,903,613	2,610,000	293,613
Other operating expenses	357,487	367,000	(9,513)
<b>TOTAL EXPENSES</b>	<b>3,845,303</b>	<b>3,677,000</b>	<b>168,303</b>
<b>RESULT BEFORE INCOME TAX</b>	107,147,861	57,124,000	50,023,861
Income tax expense/(benefit)	6,828,014	2,405,000	4,423,014
<b>RESULT AFTER INCOME TAX</b>	<b>100,319,847</b>	<b>54,719,000</b>	<b>45,600,847</b>
Net change in DB member benefits	4,408,344	-	4,408,344
Net benefits allocated to DC members	(53,582,401)	-	(53,582,401)
<b>NET RESULT</b>	<b>51,145,790</b>	<b>54,719,000</b>	<b>(3,573,210)</b>
<b>MOVEMENT IN MEMBERS BENEFITS</b>			
Contributions & transfers in	44,874,179	45,000,000	(125,821)
Contributions tax	(5,093,376)	(5,000,000)	(93,376)
Benefits paid	(34,784,443)	(32,030,000)	(2,754,443)
Insurance premiums charged to members	(24,778)	-	(24,778)
Income tax benefit on insurance premiums	3,717	-	3,717
Insurance premiums charged to DB formula	(2,522,973)	(2,700,000)	177,027
Income tax benefit on insurance premiums charged to DB formula	378,446	405,000	(26,554)
Death and disability benefits credited to members accounts	2,540,930	1,500,000	1,040,930
Reserve transfers to/(from) members	-	-	-
Net benefits allocated to members' accounts	(53,582,401)	-	(53,582,401)
Net change in defined member benefits	4,408,344	-	4,408,344
<b>TOTAL MOVEMENT IN MEMBERS BENEFITS</b>	<b>(43,802,355)</b>	<b>7,175,000</b>	<b>(50,977,355)</b>

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## 21. EXPLANATORY STATEMENTS (continued)

### (C) EXPLANATION OF SIGNIFICANT VARIANCES

The following notes apply only where a variance in either comparison (a) 2021 actual results to 2020 actual results or (b) actuals vary from the estimates is greater than 10%, are material and/or deemed significant in the context of the operations of the Fund.

#### **Interest revenue**

Interest was less than the previous year as there was less interest bearing investments and lower interest rates during the year.

#### **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 positive changes in fair value was due to better performance in domestic and global investment markets in 2021 compared to the previous year when the global pandemic was declared.

#### **Other income**

This represents fee rebates paid by investment managers that were less than budget and the previous year due to the Fund's unit trusts choosing to pay less rebates than in prior years.

#### **Administration expenses**

The administration expenses were higher than the budget due to additional consulting expenses relating to valuations and investment governance and higher data management expenses.

#### **Income tax expense/(benefit)**

The actual tax expenses for the year was \$6.8 million which was due to the investment gains during the year, whereas the Fund incurred losses for the 2020 year.

## 22. CASH FLOW INFORMATION

	2021	2020
	\$	\$
<b>(a) Reconciliation of cash flows from operating activities to result after tax</b>		
Net result after tax	51,145,790	(11,145,946)
Net change in defined benefit member benefits	(4,408,344)	5,607,163
Net benefits allocated to defined contribution member accounts	53,582,401	(4,870,132)
Net changes in fair value of investments	(71,741,324)	45,166,227
Distributions reinvested	(26,144,130)	(20,405,453)
Fee rebates reinvested	(992,476)	(1,342,458)
Investment expenses	456,129	508,191
Change in fair value of other assets	19,888	19,196
(Increase)/Decrease in receivables	(7,161,610)	(4,095,849)
(Increase)/Decrease in deferred tax assets	(7,925)	4,209
(Increase)/Decrease in prepayments	68,775	213,817
Increase/(Decrease) in creditors and accruals	(2,637)	182,533
Increase/(Decrease) in employee entitlements	7,489	35,158
Increase/(Decrease) in current tax liabilities	(261,005)	189,951
Increase/(Decrease) in deferred tax liabilities	6,544,752	(3,953,014)
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	1,105,773	6,113,593
<b>(b) Reconciliation of Cash</b>		
Cash at the end of the financial year as shown in the Statement of Cash flows is reconciled to the related items in the Statement of Financial Position as follows:		
Cash and cash equivalents	27,578,686	12,771,991

## 23. 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:

	2021	2020
Compensation of board members of the Fund		
\$0 - \$9,999	1	2
\$10,000 - \$19,999	2	1
\$20,000 - \$29,999	1	1
Compensation of other senior officers:		
\$240,000 - \$249,000	-	1
\$260,000 - \$269,000	1	-

	2021	2020
	\$	\$
Short term employee benefits	260,243	263,735
Post employment benefits	49,049	26,823
Other long term benefits	12,136	16,980
Termination benefits	-	-
Total compensation of key management personnel	321,428	307,538

## 24. RELATED PARTIES

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

The members of the Board at 30 June 2021 and during the year then ended were:

### Directors

Frank Sciarone (Chairman)  
 Kelly Wyeth  
 Brian Longman  
 Karen Lamont  
 Kevin Jolly  
 Richard Burnell (resigned 1 July 2020)  
 Boyd Winton (appointed 1 July 2020)

### Alternate Directors

Richard Burnell (appointed 1 July 2020)  
 Paul Markovic  
 Tania Longman (appointed 19 August 2020)  
 Kevin Landwehr (appointed 19 August 2020)

### Related Party Transactions

There are 10 (2020: 9) members of the Board who were also members of the Fund. These members contribute to the Fund on the same terms and conditions as other members and are subject to the same terms and conditions as other Fund members.

During the year there were \$nil in retirement benefits paid to Board members or their relatives who were members of the Fund (2020: \$48,544).

Vantage Wealth Management is a related party of the Fund as Frank Sciarone is both a member of the Board and a director of Vantage Wealth Management. Vantage Wealth Management received management fees of \$128,075 during the financial year (2020: \$107,298). There were no amounts payable at 30 June 2021 (2020: \$nil).

The Fund held an investment portfolio managed by Vantage Wealth Management totalling \$37,061,104 at 30 June 2021 (2020: \$34,170,882).

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

## 24. 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 6) 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;
- The United Professional Firefighters Union of Western Australia;
- 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.

## 25. AUDITOR'S REMUNERATION

	2021	2020
	\$	\$
Amounts paid or due and payable to Auditor General for the following services:		
• Audit of financial statements, controls and KPIs	130,200	127,631
• Other services	-	-
	130,200	127,631

## 26. COMMITMENTS

As at 30 June 2021, the Fund had commitments of \$35,076,969 (2020: \$14,028,695) 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.

## 27. COVID-19 IMPACT ON FINANCIAL STATEMENTS

The Board considered the following matters relating to the potential impact of the COVID-19 pandemic in the preparation of these financial statements and related disclosures.

- evaluation of any areas of judgment or estimation uncertainty;
- assessment and disclosure of the fair value of the Fund's assets and liabilities;
- adoption of significant assumptions and market inputs used in valuing the Fund's financial instruments;
- assessment and disclosures in relation to financial risk management, including stress testing scenarios which are an integral component of the Board's risk management framework to assess the potential impacts on the portfolio valuations and liquidity;
- review of external market communications, public forecasts and experience from previous economic downturns to identify potential impacts; and
- adoption of significant assumptions used to value the Fund's defined benefit member liabilities.

Key impacts of COVID-19 on the financial statements are summarised below.

### **VOLATILITY IN GLOBAL AND DOMESTIC INVESTMENT MARKETS**

The sensitivity analysis of various financial risks, including the sensitivity in market risk for various asset classes is disclosed in Note 4. The sensitivity in the underlying markets has been derived through a blend of historical analysis and the views of management, the Fund's investment consultant and the Board. However, due to the nature of the pandemic there is a high degree of uncertainty regarding its ultimate impact on financial markets and it is therefore not possible to reliably determine the future impact, if any, COVID-19 may have on the Fund.

### **Fair value of financial instruments**

The Fund reviewed the inputs to its valuation of financial instruments disclosed in Note 3 as well as performing out of cycle valuations to include a consideration of the impact of COVID-19. The impact of changes in valuation inputs has also been considered in terms of the classification of financial instruments in the fair value hierarchy, transfers within the fair value hierarchy and the Level 3 sensitivity analysis. The Fund's financial instruments include a portfolio of unlisted equity investments which, in accordance with the accounting policies disclosed, are measured at fair value as at reporting date.

### **Risk management**

The risk management framework continues to be applied across the Fund's operations and management and the Board continues to monitor the impact of COVID-19 on the Fund's risk profile. Non-financial risks emerging from global movement restrictions, and remote working by staff, counterparties and service providers, have been identified, assessed, managed and governed through timely application of the Board's risk management framework.

The Board considers liquidity to be impacted through a range of possible factors, including:

- Decreased contributions from members and employers;
- Increasing benefit payments through the Early Release Scheme; and
- Members shifting into cash or defensive investment options.

Management of liquidity risk is a key element of the Fund's investment processes. The approach to managing liquidity is outlined in Note 4 which is approved by the Board and implemented by management.

Measures implemented to monitor the effects of the pandemic on the Fund, include:

- continual management of the cash flow position;
- active management of each investment option in line with its long-term investment strategy;
- preparing for events that may affect liquidity; and
- frequent stress-testing the portfolios for a range of scenarios.

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## 27. COVID-19 IMPACT ON FINANCIAL STATEMENTS (continued)

### DEFINED BENEFIT MEMBER LIABILITIES

The Fund reviewed the appropriateness of the significant assumptions used in its valuation of defined benefit member liabilities and disclosures of changes in these assumptions and the impact these may have on the defined benefit surplus as disclosed in Note 10.

## 28. SUBSEQUENT EVENTS

At the date of signing the financial statements, there is uncertainty on the likely duration and the ultimate impact of COVID-19 on financial markets.

Other than the matter outlined above, there have been no other events subsequent to balance date which would have a material effect on the Fund's financial statements at 30 June 2021.



# Actuarial Opinion

This summary has been prepared as at 30 June 2021 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 2021; and the net assets from the draft financial statements received 20 August 2021.

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

Accrued benefits (DB and SDB)*	\$363,457,449
Vested benefits (DB and SDB)	\$357,408,692

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

## Statement of Financial Position

	2021	2020
<b>NET ASSETS AVAILABLE FOR MEMBER BENEFITS</b>	\$857,524,799	\$751,833,250
<b>MEMBERS BENEFITS</b>		
Defined contribution member liabilities	\$393,516,587	\$327,485,859
Defined benefit member liabilities (DB and SDB)	\$363,457,449	\$374,942,418
<b>TOTAL MEMBER LIABILITIES</b>	<b>\$756,974,036</b>	<b>\$702,428,277</b>
<b>NET ASSETS</b>	\$100,550,763	\$49,404,973
<b>EQUITY</b>		
Operational risk reserve	\$2,338,425	\$2,316,668
Smoothed option investment fluctuation reserve	\$0	\$0
Defined benefit investment fluctuation reserve	\$0	\$0
Supplementary disability benefits that are over/(under) funded	\$35,916,363	\$31,180,164
Defined benefits that are over/(under) funded	\$62,295,975	\$15,908,141
Unallocated surplus/(deficiency)	\$0	\$0
<b>TOTAL EQUITY</b>	<b>\$100,550,763</b>	<b>\$49,404,973</b>

## Statement of Changes in Member Benefits

	2021	2020
DB and SDB member liabilities (BOY)	\$374,942,418	\$369,457,855
Actual benefit payments	-\$32,477,005	-\$22,127,576
Interest cost	\$16,141,676	\$16,127,733
Change in base salary inflation assumption*	-\$14,068,038	-\$6,548,522
Change in investment return assumption	\$0	\$0
Addition accrual for 1 year	\$20,804,845	\$22,239,944
Experience	-\$1,886,447	-\$4,207,016
<b>DB and SDB member liabilities (EOY)</b>	<b>\$363,457,449</b>	<b>\$374,942,418</b>

\* For 30 June 2021, the change in the salary inflation assumption is for the promotional salary scale assumption only.

## Statement of Changes In Equity

	Operational risk reserve	Smoothed option investment fluctuation reserve <sup>1</sup>	Defined benefit investment fluctuation reserve <sup>2</sup>	Supplementary Disability benefits over/(under) funded	Defined benefit over/(under) funded	Unallocated surplus/(deficiency)	Total equity
Opening balance as at 1 July 2020	\$2,316,668	\$0	\$0	\$31,180,164	\$15,908,141	\$0	\$49,404,973
Amount allocated from/(to) defined contribution members	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Amount allocated from/(to) defined benefit members	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Operating profit / Experience	\$21,757	\$0	\$0	\$4,736,199	\$46,387,834	\$0	\$51,145,790
<b>Closing Balance as at 30 June 2021</b>	<b>\$2,338,425</b>	<b>\$0</b>	<b>\$0</b>	<b>\$35,916,363</b>	<b>\$62,295,975</b>	<b>\$0</b>	<b>\$100,550,763</b>

<sup>1</sup> During 2019/20 financial year the Smoothed option investment fluctuation reserve was fully allocated to defined contribution member accounts. No amounts have been allocated to the reserve since 30 June 2020.

<sup>2</sup> During 2019/20 financial year the Defined Benefit investment fluctuation reserve was fully allocated to defined benefit assets. No amounts have been allocated to the reserve since 30 June 2020.

### 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 (2020: 4.5% pa). 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 1.0% pa for the first two years and then 2.5% pa thereafter (2020: 1.0% pa for the first three years, 2.5% pa thereafter) for basic salary increases plus an additional age based promotional scale which ranges from 3% at age 25 gradually reducing to 0% at age 55. The age based promotional scale has been updated from last year. (2020: 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	\$347,073,152	-\$16,384,297	-5%
		-1% per annum	\$382,313,131	\$18,855,682	5%
Salary increase	1.0% pa for the first two years and 2.5% pa thereafter plus promotional <sup>1</sup>	+1% per annum	\$382,422,494	\$18,965,045	5%
		-1% per annum	\$346,678,717	-\$16,778,732	-5%

<sup>1</sup> There is an additional age based promotional scale which ranges from 3% at age 25 gradually reducing to 0% at age 55.

Defined Benefits (DB and SDB)	2021			2020		
	DB	SDB	Total	DB	SDB	Total
Defined benefit liability for accrued benefits (DB and SDB)	\$363,457,449	\$0	\$363,457,449	\$374,942,418	\$0	\$374,942,418
Defined benefit assets (excluding investment fluctuation reserve) (DB and SDB)	\$425,753,424	\$35,916,363	\$461,669,787	\$390,850,559	\$31,180,164	\$422,030,723
<b>Defined benefit accrued benefits overfunded by (DB and SDB)</b>	<b>\$62,295,975</b>	<b>\$35,916,363</b>	<b>\$98,212,338</b>	<b>\$15,908,141</b>	<b>\$31,180,164</b>	<b>\$47,088,305</b>
Defined benefit vested benefits (DB and SDB)	\$357,408,692	\$0	\$357,408,692	\$357,768,459	\$0	\$357,768,459

### Note 7: Vested Benefits

	\$
<b>Defined Contribution Vested Benefit</b>	
Category A - Defined Benefit Members	89,405,136
Category A - Notional Accounts	-8,551,246
Accumulation Members (Category B and 1A)	46,036,190
Family Law	3,789,475
Spouse Accounts	24,335,015
Allocated Pensions	101,517,665
Term Account Based Pensions	515,692
Retained Members	136,468,660
<b>Total defined contribution Vested Benefit</b>	<b>393,516,587</b>
Defined Benefit Members (DB)	357,408,692
Supplementary Disability Benefit pensions in payment (SDB)	0
<b>Total defined benefit Vested Benefit (DB and SDB)</b>	<b>357,408,692</b>
<b>Total Vested Benefit</b>	<b>750,925,279</b>

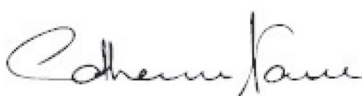
### Note 8: Reserves

	\$
<b>Investment Fluctuation Reserves</b>	
Smoothed Option Investment Fluctuation Reserve	0
Defined Benefit Investment Fluctuation Reserve	0
<b>Total</b>	<b>0</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 2021/22

Statement of changes in net assets	ESTIMATE
	\$
<b>NET ASSETS AT THE BEGINNING OF THE FINANCIAL YEAR</b>	<b>857,524,799</b>
<b>INVESTMENT REVENUE</b>	
Trust Distributions	30,000,000
Interest	800,000
Changes in Net Market Value	43,000,000
Rental Income	400,000
Other Investment Revenue	1,000,000
<b>CONTRIBUTION REVENUE</b>	
Employer Contributions	36,000,000
Employee Contributions	6,000,000
Spouse Contributions	500,000
Transfers In	5,500,000
<b>OTHER REVENUE</b>	
Insurance Proceeds	1,700,000
Other	1,000
<b>TOTAL REVENUE</b>	<b>124,901,000</b>
<b>EXPENSES</b>	
Group Life Premiums	2,700,000
Direct Investment Expenses	1,001,000
General Administration Expenses	3,160,000
Benefit Payments	34,000,000
<b>TOTAL EXPENSES</b>	<b>40,861,000</b>
Changes in net assets before income tax	84,040,000
Income Tax Expense	8,050,000
Changes in net assets after income tax	75,990,000
<b>NET ASSETS AT THE END OF THE FINANCIAL YEAR</b>	<b>933,514,799</b>


# Performance Indicators

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## FIRE AND EMERGENCY SERVICES SUPERANNUATION BOARD

### CERTIFICATION OF KEY PERFORMANCE INDICATORS

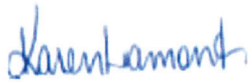
In the opinion of the Board, the key performance indicators are based on proper records, are relevant and appropriate for assisting users to assess the Fire and Emergency Services Superannuation Board's performance, and fairly represent the performance of the Fire and Emergency Services Superannuation Board for the financial year ended 30 June 2021.



**Frank Sciarrone**

Chair

22 September 2021



**Karen Lamont**

Board Member

22 September 2021

## 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 (DFES), the United Professional Firefighters 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 2020/21.

## 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 65% for active members and 91% for pension and retained members who had provided an email address for the 2020/21 financial year, against a target of 80%. The decrease in member satisfaction for active members was predominantly due to the structure of member entitlements.

There has been a substantial number of member enquiries in regards to the financial benefits of being a defined benefit member against an accumulation member of the Fund. During 2020/21, the Board commissioned an independent assessment by the actuarial division of PricewaterhouseCoopers that informed the Board on the differences in the financial benefits under various scenarios. Members were then invited to a meeting with Board representatives where the Actuary presented its findings. The Board has also met with other key stakeholders including the United Professional Firefighters Union of Western Australia, DFES and Government.

	Target % 2020/21	Target % 2019/20	Actual % 2018/19	Target % 2018/19
Active Members who are fairly satisfied or extremely satisfied.	80	65	74	83
Pension and Retained Members who are fairly satisfied or extremely satisfied.	80	91	90	95

An additional 22% of active members and 5% of pension and retained members who had provided an email address reported being neither satisfied nor dissatisfied.

All members who supplied the Fund with a valid email address were surveyed in June 2021. 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 1,601 active members and 467 pension/retained members were surveyed resulting in a sample size of 485 (30%) active and 225 (48%) pension/retained members who responded to the survey. This generated a margin of error of  $\pm 4\%$  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.	7.2	4.5	2.7

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
11.9	11.8	0.1	5.9	7.5	(1.6)	6.9	7.6	(0.7)

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

For the one year period the Defined Benefit section of the Fund has outperformed its target, for the three and five year periods the Defined Benefit section of the Fund has underperformed its target mainly due to the underperformance of the Board's international equity managers against their target over the three and five year periods.

**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. Australian Shares, International Shares and Fixed Interest options are to deliver investment performance measured against indices over a ten year period.
- iii. Cash option is to deliver investment performance measured against indices over a one year 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 + 3.0% per annum over a rolling ten year period.	7.5	4.8	2.7
Growth Option	To earn at least CPI + 3.0% per annum over a rolling ten year period.	7.8	4.8	3.0
Cash Option	To earn at least the benchmark return for Cash (Bloomberg Ausbond Bank Bill Index) over a rolling one year period.	0.3	0.0	0.3
Moderate Option	To earn at least CPI + 2.0% per annum over a rolling ten year period.	5.7	3.8	1.9
Australian Shares Option	To earn at least the benchmark return for Australian Shares (S&P/ASX 300 Accumulation Index) over a rolling ten year period.	9.4	9.2	0.2
International Shares Option	To earn at least the benchmark return for Overseas shares (MSCI World ex-Australia Index in \$AUD) over a rolling ten year period.	12.6	12.5	0.1
Fixed Interest Option	To earn at least the benchmark return for Australian Fixed Interest (Bloomberg AusBond Composite Bond Index) per annum over a rolling ten year period.	3.1	2.7	0.4

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

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

Note 3: The returns for the International Shares and Fixed Interest Options are over a rolling five year period.

All options outperformed their investment objectives, reflecting strong investment returns from growth assets over the respective periods.



### 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. Australian Shares, International Shares and Fixed Interest options are to deliver investment performance measured against indices over a ten year period.
- iii. Cash option is to deliver investment performance measured against indices over a one year 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 + 3.0% per annum over a rolling ten year period.	8.2	4.8	3.4
Growth Option	To earn at least CPI + 3.0% per annum over a rolling ten year period.	8.7	4.8	3.9
Cash Option	To earn at least the benchmark return for Cash (Bloomberg Ausbond Bank Bill Index) over a rolling one year period.	0.4	0.1	0.3
Moderate Option	To earn at least CPI + 2.0% per annum over a rolling ten year period.	6.5	3.8	2.7
Australian Shares Option	To earn at least the benchmark return for Australian Shares (S&P/ASX 300 Accumulation Index) over a rolling ten year period.	10.1	9.2	0.9
International Shares Option	To earn at least the benchmark return for Overseas shares (MSCI World ex-Australia Index in \$AUD) over a rolling ten year period.	14.6	14.4	0.2
Fixed Interest Option	To earn at least the benchmark return for Australian Fixed Interest (Bloomberg AusBond Composite Bond Index) per annum over a rolling ten year period.	3.6	3.2	0.4

Note 1: The Investment Objectives are net of fees.

Note 2: The returns shown are net of fees.

Note 3: The returns for the International Shares and Fixed Interest Options are over a rolling five year period.

All options outperformed their investment objectives, reflecting strong investment returns from growth assets over the respective periods.

## 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.

	2016/17	2017/18	2018/19	2019/20	2020/21
Administration Cost – Target	\$1,043	\$1,160	\$1,142	\$1,172	\$1,230
Administration Cost – Actual	\$1,154	\$1,270	\$1,225	\$1,362	\$1,310

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

The higher than expected Administration Cost – Actual against the Target was due to extra consultancy costs as a result of work completed by the actuarial division of PWC in regards to the differences in the financial benefits of being a defined benefit member against an accumulation member of the Fund, and data software upgrades.

### 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 2016/17	Actual 2017/18	Actual 2018/19	Actual 2019/20	Actual 2019/20	Target 2020/21
Investment management costs as a percentage of portfolio mean value invested.	0.36%	0.44%	0.36%	0.14%	0.12%	0.15%

The Investment Management Expense Ratio – Actual against the Target was as forecasted.

# 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 one FOI application during the 2020/21 financial year in relation to obtaining a copy of PricewaterhouseCoopers final report in relation to their findings comparing the outcomes of being a defined benefit versus a defined contribution member of the Fund.

After obtaining consent from PricewaterhouseCoopers, the Board provided the report.

## Member Complaints

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

There was one formal complaint finalised during the 2020/21 financial year and this complaint has been resolved to the member's satisfaction.

## External Complaints Tribunal

If a member is not satisfied with the handling of a complaint or the Board's decision, they may be able to make a complaint to the 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 \$37,764,741 at 30 June 2021. Vantage Wealth Management received management fees of \$128,075 during the 2020/21 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.

## Derivatives

The Fund does not invest directly in any futures, options or other derivative instruments.

Investment managers are permitted to use futures, options and other derivative instruments to assist with the effective management of the Fund's assets. These instruments may not be used to gear the assets of the Fund. Derivatives may be used to improve liquidity, control risk, enhance returns, and/or provide more cost-effective exposure to certain asset classes or risk premia.

## Surcharge

Any payments in connection with the superannuation contributions surcharge or advanced instalments of the surcharge will be drawn from the member's account.

# 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 2020/21 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	2021	2020
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	2021	2020
Full-time permanent	2	2
Full-time contract	0	0
Part-time measured on a FTE basis	2.4	2.4
Part-time contract	2	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 2020/21 financial year, our employees received in-house and on-the-job training on:

- Anti-Money Laundering and Counter-terrorism Financing Rules Awareness;
- Code of Conduct;
- Cyber Security; and
- Fraud Awareness.







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