Fire & Emergency Services
Superannuation Fund

Report to members 2021

Investment Market Update

2020/21 Financial Year Economic Commentary

The 2020/2021 financial year will be remembered by the impacts of the COVID-19 pandemic, which delivered the greatest shock to the global economy since World War II, alongside the end of Trump's presidency in the US and the stellar performance of equity markets. The first half of the financial year was governed by countries attempting to recover fractured economies from the severe global contraction which occurred at the end of the previous financial year. Governments were forced to implement heavy fiscal stimulus, whilst central banks worked in tandem by introducing large quantitative easing programs, leading to record low interest rate environments which remain today.

We ended the financial year with recorded global COVID-19 cases to 30 June 2021 reaching 181.5 million, and the death toll surpassing 3.9 million, exposing weaknesses in healthcare systems and a lack of multilateral coordination. However, optimism broke forth in the second half of the financial year as economies reopened, vaccination rollouts gained efficacy, and we saw continued government support. Developed Equity markets rallied remarkably on the back of this, retuning 35.8% over the year (MSCI World Ex-Australia index in Australian Dollar hedged terms). The financial year ended with much stronger than anticipated economic growth and inflation, alongside low levels of unemployment and a sense of global stability, which could see central banks and policymakers having to change their stance if the strength of the economic recovery continues.

The Australian economy recovered strongly over the financial year, rebounding from a historic quarter-on-quarter contraction of 7.0% in the second quarter of 2020, dragging the economy into recession, to rise by 1.1% (year-on-year) by the first quarter of 2021. The recovery in economic activity was assisted by the Federal Government introducing heavy fiscal stimulus packages through its Economic Recovery Plan, which included the $90 billion JobKeeper wage subsidy, personal and business tax relief and further infrastructure investments accelerated as the virus was brought under control within the country, despite a long Victorian lockdown. Moreover, the RBA cut interest rates further from a record low of 0.25% in March 2020, to the new low of 0.10% in November 2020, stating that it would not consider rate hikes until inflation was 'sustainably within the target range of 2-3%'.

The implementation of a $100 billion quantitative easing plan was also introduced in November 2020, whereby the bank would undertake weekly purchases of $5 billion government bonds, which was extended by an additional $100 billion in March 2021.

Despite JobKeeper ending in March 2021, unemployment figures fell below pre-pandemic levels to 5.1% by the end of May. Year-on-year inflation to the end of the March quarter came in at 1.1%, which is still below the target range of 2-3%, but improving unemployment rates and stronger than expected economic growth mean there is a possibility that these targets will be met sooner than forecast. Over the pandemic period, households and non-financial corporations have amassed $240 billion in savings from fiscal measures, which strongly supported the economy over the financial year. A potential risk for sustained economic growth is the slow pace of the vaccine rollout whereby Australia is lagging most countries as at the end of the financial year, with concerns over the AstraZeneca vaccine and limited supplies of the Pfizer vaccine hampering rollout efforts.

The Australian share market rallied throughout the financial year, returning 28.5%, as measured by the S&P/ASX 300 index, reflective of the staggering recovery of global markets from the significant crash in 2020. Record low interest rate environments, coupled with economies reopening led to an increase in private investment and contributed to the rise in market returns. Consumer Discretionary and Financials were the highest performing sectors, returning 48.6% and 41.1% respectively, whilst Utilities was the worst performer, returning -18.6% over the year.

The Australian 10-year bond yield rose over the 2021 financial year to 1.51% in June 2021 from 0.88% the previous year. Australian fixed interest, as measured by the Bloomberg AusBond Composite Bond Index (All Maturities) returned 0.8% for the year, whilst Australian cash, as measured by the Bloomberg AusBond Bank Bill Index, returned 0.1% for the financial year.

The Australian Dollar (AUD) appreciated against the currencies of its major trading partners year-on-year, as measured by the Trade Weighted Index, ending June at 62.7, from 60.0 at the end of the previous financial year. The AUD finished June at 75.0 U.S. cents, which represents an appreciation of 8.6% against the USD year-on-year.

The US Federal Reserve started the financial year announcing that record low interest rates were expected to remain between the 0.00% to 0.25% band until at least 2023, in an attempt to recover from the economic recession the US faced towards the end of the previous financial year, and that they would remain unchanged until inflation and employment targets were suitably met. Moreover, Democratic victories in the US paved the way for the Biden administration to propose heavy fiscal stimulus packages, including the US$2.3 trillion American Jobs Plan designed to invest in infrastructure, and a US$1.8 trillion American Families Plan which will aid low-income households, to be funded through tax hikes for high income earners. The second half of the financial year saw a strong recovery, with US annual headline inflation to June coming in at 5.4% and unemployment coming in at 5.9% in June 2021 (compared to 11.1% a year earlier). US equities (S&P 500) rallied on the back of this, returning 40.8% over the financial year, strongly recovering from drawdowns experienced during the initial pandemic fallout.

US 10-year Government bond yields followed an upwards trend for most of the financial year, gradually increasing from 0.65% in June 2020, to then peak in March at 1.75% as economic conditions improved, before declining to end the financial year at 1.47% in June. Bond pricing, in the US and globally, continued to reflect investors' beliefs that the Fed will likely taper the current level of bond purchases soon, but will do so slowly which will remove any dramatic fluctuations in yields.

Due to the continued spread of COVID-19 throughout Europe and the struggle of economic recovery, the European Central Bank left interest rates at -0.5% but signalled the possibility of expanding its bond purchasing due to rising yields over the first quarter of 2021.

The second half of the year saw increased optimism, driven by vaccine rollouts picking up pace, the European Union's landmark €1.8 trillion budget package and the Brexit trade deal between the EU and UK, improving confidence. UK equities (FTSE All Share Index) finished the financial year up 21.5%, whilst European equities (Euro Stoxx 50 Index) returned 28.2% over the same period. Annual core inflation to June 2021 was 0.9% and remained significantly below the European Central Bank's 2% target. Euro Area gross domestic product (GDP) rebounded strongly in Q3 2020, nearly offsetting the huge fall in the second quarter of 2020, however this rebound stalled over the six months to 31 March 2021, with modestly negative growth in both quarters. Nevertheless, the European Commission has positively revised its 2021/2022 forecasts in response to an improved COVID-19 health situation and stronger than forecasted activity levels in the first quarter of 2021, allowing for the reopening of economies.

China's successful early containment measures of the virus, coupled with strong policy stimulus, saw a strong economic rebound in the first half of the financial year. The second half saw slight structural impediments to China's growth, including concerns over policy tightening and the slow pace of vaccine rollouts. However, Chinese equity markets returned 20.3% over the financial year (Shanghai Composite Index), following the upwards trend in global equity markets. The Chinese economy ended the financial year with an annual GDP growth rate of 18.3% year-on-year to the March 2021 quarter, partially attributable to the base being reflective of a -9.3% contraction in the first quarter of 2020.

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

The year in brief

How well did the Fund perform?

The Board declared an annual crediting rate for the Smoothed investment option for 2020/21 of **14.5%**. The declared annual crediting rate for the Smoothed investment option for 2020/21 for pension accounts was **15.7%**.

For the past five years to 30 June 2021, the Fund has averaged a 'smoothed' investment return of **8.3%pa**. Since the Fund's inception in 1978, the smoothed investment return has averaged **9.3%pa**. The table below shows the returns (what the investments actually earned) and the declared crediting rates for each period shown.

Fund Earning Rate v Declared Crediting Rate 'smoothing'

	Fund Earning Rate	Declared Crediting Rate*
2017	9.1%	7.5%
2018	8.4%	9.0%
2019	7.8%	7.8%
2020	-0.9%	2.7%
2021	14.5%	14.5%
3 Year average (pa)	7.1%	8.3%
5 Year average (pa)	7.8%	8.3%
10 Year average (pa)	7.8%	7.6%

*After 'smoothing' is applied, see page 8.

Fund Statistics as at 30 June 2021

Membership	2020/21	2019/20
Current Members	1,619	1,603
Retained Members	401	361
Pensioners	291	282
Spouse Accounts	140	144
Total	**2,451**	**2,390**

Benefits Paid	2020/21	2019/20
	$	$
Total	**34,784,443**	**32,921,834**

Contributions	2020/21	2019/20
	$	$
Member	5,419,319	3,837,675
Salary Sacrifice	13,325,698	12,628,786
Employer	20,491,142	19,853,631
Spouse	385,680	27,640
Transfers In	5,252,340	6,371,974
Total	**44,874,179**	**42,719,706**

The Trustees

YOUR SUPER FUND IS ADMINISTERED BY A BOARD

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

The Fire and Emergency Services Superannuation Board members at 30 June 2021 were:

Employer Appointed

Mr Frank Sciarrone (Chairman) – Financial Planner and Consultant

Ms Karen Lamont – Human Resources Professional

Mr Boyd Winton – Investment Professional

Member Elected

Mr Kevin Jolly – Station Officer

Mr Brian Longman – Station Officer

Mr Kelly Wyeth – Station Officer

The Board is responsible for managing the Fund

The Board is responsible for managing your Fund in line with the provisions of the Act and the *Fire and Emergency Services (Superannuation Fund) Regulations 1986*. Government laws mean that the Fund must have an equal number of Board Members appointed by the Fire and Emergency Services Commissioner and elected by the members of the Fund. One of these Board Members is appointed Chairman of the Board.

What does a Board Member do?

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

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

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

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

Review of Operations

TAXATION AND COMPLIANCE

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

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

AMENDMENTS TO THE ACT AND REGULATIONS

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

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

MEMBER INSURANCE

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

OPERATIONAL RISK FINANCIAL REQUIREMENT (ORFR)

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

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

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

The effect of this action taken by the Board is that all members will be financially protected if an operational risk event occurs in the Fund in the future. No operational risk events occurred in the Fund during the 2020/21 financial year.

SEGREGATION OF ASSETS

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

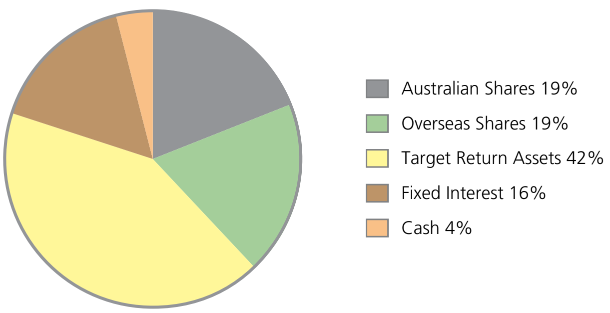
The Board accepted actuarial advice that the long term viability of the defined benefit section requires investment earnings at least 2% per annum greater than the growth of average salaries.

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

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

The percentage distribution within each type of investment and the performance as at 30 June 2021 for the defined benefit section is shown in the following charts.

DEFINED BENEFIT ALLOCATION



DEFINED BENEFIT PERFORMANCE

Defined Benefit Return[1]	11.9%
FAS +2%pa[2]	3.1%
Benchmark Return	11.8%

[1] *Performance is for the one year to 30 June 2021.*

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

Further Information

PRODUCT DISCLOSURE STATEMENT

The Fund's Product Disclosure Statement (PDS) is the legal document which describes how superannuation works and has information on the Fund's benefits, fees, the risks associated with the product, how we invest your money and your insurance cover. The PDS was last issued by the Board on 15 January 2021 and a copy is available on request from the Board office or on our website. The PDS is currently being reviewed.

NEWSLETTERS

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

THE ACT, REGULATIONS AND ACTUARIAL STATEMENTS

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

ANNUAL REPORT

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

ANNUAL BENEFIT STATEMENTS

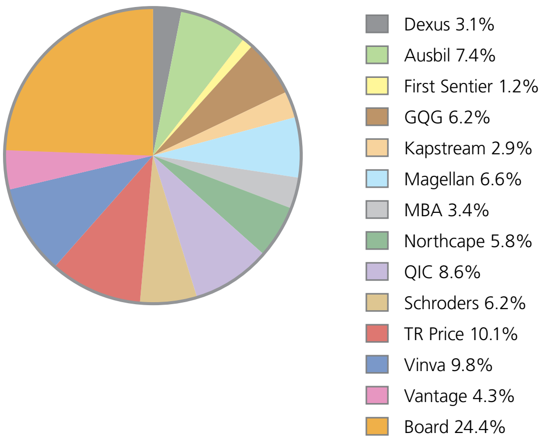
Members are sent an Annual Benefit Statement each year and upon request.

Investments

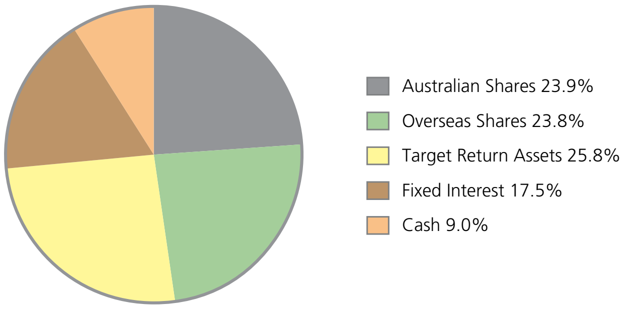
Where are the Assets invested?

The external fund managers are listed in the Directory on the last page of this report. The percentage distribution of assets with the managers and within each type of investment as at 30 June 2021 is shown in the following charts.

INVESTMENT OF ASSETS AT 30 JUNE 2021



DISTRIBUTION OF ASSETS AT 30 JUNE 2021



HOW THE 'SMOOTHED' INVESTMENT RETURN IS CALCULATED

The rate applied to accumulation accounts depends on:

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

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

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

CHOOSING AN INVESTMENT STRATEGY

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

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

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

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

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

Member Investment Choice Option Returns

SMOOTHED OPTION

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

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

Asset Classes	Ranges	Allocation as at 30 June 2021	Allocation as at 30 June 2020
Australian Shares	15%-35%	28%	25%
Overseas Shares	15%-35%	31%	30%
Target Return	5%-45%	20%	20%
Fixed Interest	5%-40%	18%	20%
Cash	0%-20%	3%	5%

Crediting Rates	Accumulation Account	Pension Account
2016/2017	7.5%	8.3%
2017/2018	9.0%	10.0%
2018/2019	7.8%	8.7%
2019/2020	2.7%	3.0%
2020/2021	14.5%	15.7%

Performance against Objective	Accumulation Account	Objective	Pension Account	Objective
3 Years (pa)	8.3%	4.7%	9.1%	4.7%
5 Years (pa)	8.3%	4.8%	9.2%	4.8%
7 Years (pa)	7.1%	4.7%	7.9%	4.7%
10 Years (pa)	7.6%	4.8%	8.3%	4.8%

CASH OPTION

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

Asset Classes	Ranges	Allocation as at 30 June 2021	Allocation as at 30 June 2020
Australian Shares	0%	0%	0%
Overseas Shares	0%	0%	0%
Target Return	0%	0%	0%
Fixed Interest	0%	0%	0%
Cash	100%	100%	100%

Crediting Rates	Accumulation Account	Pension Account
2016/2017	2.0%	2.4%
2017/2018	1.4%	1.8%
2018/2019	1.5%	1.9%
2019/2020	0.8%	1.1%
2020/2021	0.1%	0.2%

Performance against Objective	Accumulation Account	Objective	Pension Account	Objective
3 Years (pa)	0.8%	0.8%	1.0%	1.0%
5 Years (pa)	1.2%	1.1%	1.5%	1.3%
7 Years (pa)	1.5%	1.4%	1.8%	1.6%
10 Years (pa)	2.0%	1.9%	2.5%	2.2%

MODERATE OPTION

Purpose	To earn higher investment returns than cash while maintaining a conservative approach so the risk of capital losses in any one year remains low.
Objective	To earn at least the Consumer Price Index (CPI) plus 2% per annum over a rolling 10 year period, net of tax and fees.
Strategy	Invest approximately one half in shares/target return assets and one half in cash/fixed interest.
Strategic asset allocation	Australian Shares 12% Overseas Shares 18% Target Return 25% Australian Fixed Interest 35% Cash 10%
Expected frequency of negative return	Less than three negative annual returns in any 20 year period (on average). It has a low to medium level of risk.

Asset Classes	Ranges	Allocation as at 30 June 2021	Allocation as at 30 June 2020
Australian Shares	0%-30%	17%	16%
Overseas Shares	0%-30%	23%	19%
Target Return	0%-30%	20%	17%
Fixed Interest	10%-50%	35%	37%
Cash	10%-50%	5%	11%

Crediting Rates	Accumulation Account	Pension Account
2016/2017	7.5%	8.3%
2017/2018	5.5%	6.2%
2018/2019	6.3%	7.1%
2019/2020	-0.2%	0.0%
2020/2021	9.9%	10.8%

Performance against Objective	Accumulation Account	Objective	Pension Account	Objective
3 Years (pa)	5.3%	3.7%	6.0%	3.7%
5 Years (pa)	5.8%	3.8%	6.5%	3.8%
7 Years (pa)	4.8%	3.7%	5.5%	3.7%
10 Years (pa)	5.4%	3.8%	6.2%	3.8%

GROWTH OPTION

Purpose	To provide a competitive growth investment.
Objective	To earn at least the Consumer Price Index (CPI) plus 3% per annum over a rolling 10 year period, net of tax and fees.
Strategy	Invest approximately three quarters in shares/target return assets and one quarter in cash/fixed interest.
Strategic asset allocation	Australian Shares 20% Overseas Shares 30% Target Return 30% Australian Fixed Interest 17% Cash 3%
Expected frequency of negative return	Less than four negative annual returns in any twenty year period (on average). It has a medium to high level of risk.

Asset Classes	Ranges	Allocation as at 30 June 2021	Allocation as at 30 June 2020
Australian Shares	15%-35%	28%	25%
Overseas Shares	15%-35%	31%	30%
Target Return	5%-45%	20%	20%
Fixed Interest	5%-40%	18%	20%
Cash	0%-20%	3%	5%

Crediting Rates	Accumulation Account	Pension Account
2016/2017	9.1%	10.2%
2017/2018	8.4%	9.4%
2018/2019	7.8%	8.7%
2019/2020	-1.1%	-0.9%
2020/2021	14.5%	15.7%

Performance against Objective	Accumulation Account	Objective	Pension Account	Objective
3 Years (pa)	7.1%	4.7%	7.8%	4.7%
5 Years (pa)	7.7%	4.8%	8.6%	4.8%
7 Years (pa)	6.8%	4.7%	7.6%	4.7%
10 Years (pa)	7.5%	4.8%	8.6%	4.8%

AUSTRALIAN SHARE OPTION

Purpose	To provide a diversified investment in Australian shares.
Objective	To earn at least the benchmark return for Australian shares (S&P/ASX 300 Accumulation Index), net of tax and fees, over a rolling 10 year period.
Strategy	Invest all of the assets in the Australian share market.
Strategic asset allocation	Australian Shares 100%
Expected frequency of negative return	Less than six negative annual returns in any twenty year period (on average). It has a high level of risk.

Asset Classes	Ranges	Allocation as at 30 June 2021	Allocation as at 30 June 2020
Australian Shares	90%-100%	100%	100%
Overseas Shares	0%	0%	0%
Target Return	0%	0%	0%
Fixed Interest	0%	0%	0%
Cash	0%-10%	0%	0%

Crediting Rates	Accumulation Account	Pension Account
2016/2017	15.4%	16.1%
2017/2018	13.3%	13.9%
2018/2019	8.7%	8.8%
2019/2020	-9.3%	-9.3%
2020/2021	30.2%	30.2%

Performance against Objective	Accumulation Account	Objective	Pension Account	Objective
3 Years (pa)	9.9%	9.8%	9.9%	9.8%
5 Years (pa)	11.7%	11.3%	12.0%	11.3%
7 Years (pa)	8.5%	8.9%	9.0%	8.9%
10 Years (pa)	9.8%	9.2%	10.4%	9.2%

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

Purpose	To provide a diversified investment in international shares.
Objective	To earn at least the benchmark return for international shares (MSCI World ex-Australia Index in $AUD), net of tax and fees, over a rolling 10 year period.
Strategy	Invest all of the assets in international shares.
Strategic asset allocation	Overseas Shares 100%
Expected frequency of negative return	Less than six negative annual returns in any twenty year period (on average). It has a high level of risk.

Asset Classes	Ranges	Allocation as at 30 June 2021	Allocation as at 30 June 2020
Australian Shares	0%	0%	0%
Overseas Shares	90%-100%	100%	100%
Target Return	0%	0%	0%
Fixed Interest	0%	0%	0%
Cash	0%-10%	0%	0%

Crediting Rates	Accumulation Account	Pension Account
2016/2017	13.7%	15.9%
2017/2018	15.0%	17.6%
2018/2019	11.8%	13.7%
2019/2020	3.6%	4.1%
2020/2021	18.3%	21.3%

Performance against Objective	Accumulation Account	Objective	Pension Account	Objective
3 Years (pa)	11.3%	12.1%	13.0%	14.0%
5 Years (pa)	12.5%	12.5%	14.5%	14.4%

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

Purpose	To provide a diversified investment in Australian Fixed Interest.
Objective	To earn at least the benchmark return (Bloomberg Ausbond Composite Bond Index), net of tax and fees, over a rolling 10 year period.
Strategy	Invest all of the assets in Australian Fixed Interest.
Strategic asset allocation	Fixed Interest 100%
Expected frequency of negative return	Less than four negative annual returns in any twenty year period (on average). It has a low to medium level of risk.

Asset Classes	Ranges	Allocation as at 30 June 2021	Allocation as at 30 June 2020
Australian Shares	0%	0%	0%
Overseas Shares	0%	0%	0%
Target Return	0%	0%	0%
Fixed Interest	90%-100%	100%	100%
Cash	0%-10%	0%	0%

Crediting Rates	Accumulation Account	Pension Account
2016/2017	3.2%	3.7%
2017/2018	1.7%	2.2%
2018/2019	5.8%	6.9%
2019/2020	2.3%	2.8%
2020/2021	1.1%	1.3%

Performance against Objective	Accumulation Account	Objective	Pension Account	Objective
3 Years (pa)	3.0%	3.6%	3.7%	4.2%
5 Years (pa)	2.8%	2.7%	3.4%	3.2%

Financial information

The charts below show the abridged financial information based on the unaudited Financial Statements of the Fund for the year ended 30 June 2021. The full audited Financial Statements and the Auditor General's opinion will be included in the Annual Report.

NET ASSETS AVAILABLE TO PAY BENEFITS AS AT 1 JULY 2020	751,833,250

Inflow 2020/2021	
Employer Contributions	20,491,142
Salary Sacrifice Contributions	13,325,698
Member Contributions	5,419,319
Spouse Contributions	385,680
Investment Revenue	110,993,165
Transfers	5,252,340
Other Revenue	2,540,930
Total	**158,408,274**

Outflow 2020/2021	
Benefits Paid	34,784,443
Group Life Premiums	2,547,751
Administration Expenses	3,261,100
Investment Expenses	584,203
Taxation	11,539,228
Total	**52,716,725**

NET ASSETS AVAILABLE TO PAY BENEFITS AS AT 30 JUNE 2021	857,524,799

AT 30 JUNE 2021 THE ASSETS OF THE FUND ARE REPRESENTED BY

ASSETS	
Investments	868,417,209
Other Assets	2,693,783
Total Assets	**871,110,992**
Liabilities	**13,586,193**
Net Assets	**857,524,799**

Fund Statistics (as at 30 June)

WORKING MEMBERS

		2021	2020	2019
Members at start of period		1,603	1,585	1,512
New members		138	144	165
Exits		122	126	92
Members at end of period		1,619	1,603	1,585

BENEFIT ENTITLEMENTS

		2021	2020	2019
Death		1,938	4,613	361
Retirements (includes Redundancies)		13,641	15,103	14,323
Total Disablement		9,727	10,022	6,006
Partial Disablement		3,509	1,226	0
Resignation		2,867	1,987	1,949
TOTAL	($,000)	**31,682**	**32,951**	**22,639**

PENSIONERS

		2021	2020	2019
Number of Pensioners		291	282	274
Balance of Accounts	($,000)	102,033	90,973	92,486

RETAINED MEMBERS

		2021	2020	2019
Number of members		401	361	323
Balance of Accounts	($,000)	136,469	112,922	103,132

SPOUSE ACCOUNTS

		2021	2020	2019
Number of members		140	144	144
Balance of Accounts	($,000)	28,124	22,919	21,413

OTHER

		2021	2020	2019
Administration Expenses	($,000)	3,241	3,427	2,867
Investment Income	($,000)	113,545	(6,663)	61,887
Net Fund Crediting Rate (Smoothed)		14.5%	2.7%	7.8%

Changes to Superannuation from 1 July 2021

The upcoming financial year will see more changes 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.

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.

YOUR SUPER ONLINE!

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

The website provides the following general information:

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

Other information

ACTUARIAL INVESTIGATION

Each year, an actuarial review of the Fund is carried out to establish the financial position of the Fund and to determine the level of employer contributions required to adequately provide for members' benefits. The Actuary has completed the review of the Fund as at 30 June 2021 and has reported that *"the Fund is currently in a satisfactory financial position as at 30 June 2021 as measured by the coverage of vested benefits by assets".*

The Fund uses a 'vested benefits index' as a means of valuing the Fund and determining the amount of money required to fund the benefit payments of active members.

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

SPECIAL TAX TREATMENT

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

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

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

INACTIVE LOW-BALANCE ACCOUNT

To protect accounts from fee erosion, inactive low-balance accounts will be transferred to the Australian Taxation Office (ATO). Generally, a super account is an inactive low-balance account if the following criteria are met:

- no amount has been received by the Fund for crediting to your account for your benefit within the last 16 months;
- the account balance is less than $6,000;
- you have not met a prescribed condition of release; and
- there is no insurance on the account.

However, the account will not be an inactive low-balance account if any of the following have occurred in the last 16 months:

- you have changed your investment options;
- you have elected to maintain insurance in your account;
- you have made changes to your insurance coverage;
- you have made or amended a binding beneficiary nomination; or
- you have given the Fund a written notice electing not to be a member of an inactive low-balance account.

Funds are required to identify inactive low-balance accounts on 30 June and 31 December each year and then report and pay them to the ATO.

CHECK YOUR SUPER

You can manage your super using the ATO online services through myGov. This enables you to:

- view details of all your super accounts, including lost or unclaimed amounts;
- consolidate eligible multiple accounts (including any ATO held super) into one account; and
- withdraw your ATO held super where you have met certain conditions of release.

Before consolidating your accounts, you should check with your fund to see if there are fees or whether you will lose important insurance such as life, total and permanent disability, and income protection.

WHAT TO DO IF YOU HAVE A COMPLAINT?

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

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

   The Complaints Officer will ensure that your complaint is investigated as appropriate. You will be provided with a written response.
3. If you do not receive a response to your complaint within 90 days, are not satisfied with the handling of your complaint or the Board's decision, you may be able to make a complaint to the Australian Financial Complaints Authority (AFCA).
4. AFCA's contact details are:

   Australian Financial Complaints Authority
   GPO Box 3
   MELBOURNE VIC 3001

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

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

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

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

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

Please contact AFCA for more information.

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

LIKE TO KNOW MORE?

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

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

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

RESERVES

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

Statement of changes in reserves for the year ended 30 June 2021

	Operational Risk Reserve	SDB Reserve	Smoothed Option Investment Reserve	Defined Benefit Investment Reserve	Total Reserves
Balance at 1 July 2018	**1,972,828**	**27,238,755**	**7,631,893**	**7,832,532**	**44,676,008**
Movement	207,005	3,139,416	833,886	7,739,842	11,920,149
Balance at 30 June 2019	**2,179,833**	**30,378,171**	**8,465,779**	**15,572,374**	**56,596,157**
Movement	136,835	801,993	(8,465,779)	(15,572,374)	(23,099,325)
Balance at 30 June 2020	**2,316,668**	**31,180,164**	**0**	**0**	**33,496,832**
Movement	21,757	4,736,199	0	0	4,757,956
Balance at 30 June 2021	**2,338,425**	**35,916,363**	**0**	**0**	**38,254,788**

Operational Risk Reserve

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

SDB Reserve

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

Investment Reserves

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

Directory

FIRE AND EMERGENCY SERVICES SUPERANNUATION BOARD

242 Rokeby Road, SUBIACO WA 6008

BOARD MEMBERS:

Employer Appointed

Frank Sciarrone – Chairman
Karen Lamont
Boyd Winton

Member Elected

Kevin Jolly
Brian Longman
Kelly Wyeth

MINISTER

Treasurer – Hon Mark McGowan MLA

FUND SECRETARY

Adrian Rutter

ACTUARY

Janice Jones – PricewaterhouseCoopers

INSURER

Hannover Life Re of Australasia Ltd

ACCOUNTANT

Sharyn Long Chartered Accountants

BANKER

Commonwealth Bank of Australia

AUDITORS

Auditor General (WA)

INVESTMENT MANAGERS

Acure Asset Management
Level 18, 140 St George's Terrace, PERTH WA 6000

Ascot Capital
37 Stirling Highway, NEDLANDS WA 6009

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

Blackoak Capital
Level 3, 22 Delhi Street, WEST PERTH WA 6005

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

Dexus Capital
Level 25, 264-278 George Street, SYDNEY NSW 2000

First Sentier
Level 5, 300 Barangaroo Avenue, SYDNEY NSW 2000

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

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

Harvis Capital
Level 9, 190 St George's Terrace, PERTH WA 6000

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

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

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

Macquarie Group
Level 7, 50 Martin Place, SYDNEY NSW 2000

Northcape Capital
Level 24, 45 Clarence Street, SYDNEY NSW 2000

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

QIC
Level 5, 66 Eagle Street, BRISBANE QLD 4001

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

T Rowe Price
Level 50, 1 Farrer Place, SYDNEY NSW 2000

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

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

CORRESPONDENCE

The Secretary

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

Phone: (08) 9382 8444
Email: admin@fessuper.com.au

DISCLAIMER

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

GENERAL ADVICE WARNING

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

fessuper.com.au