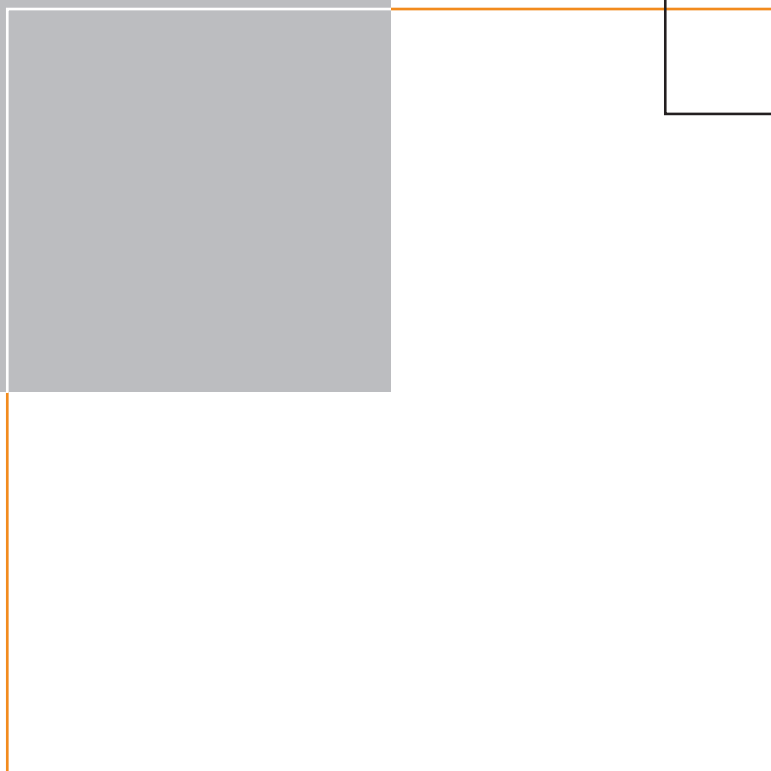
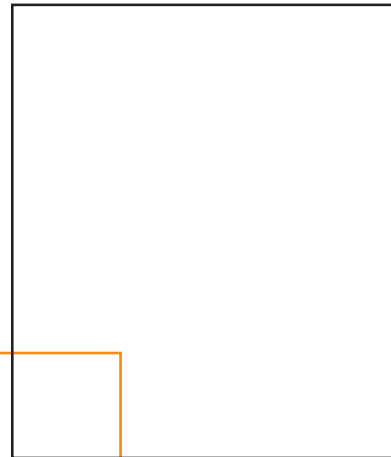
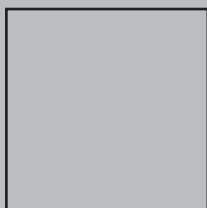
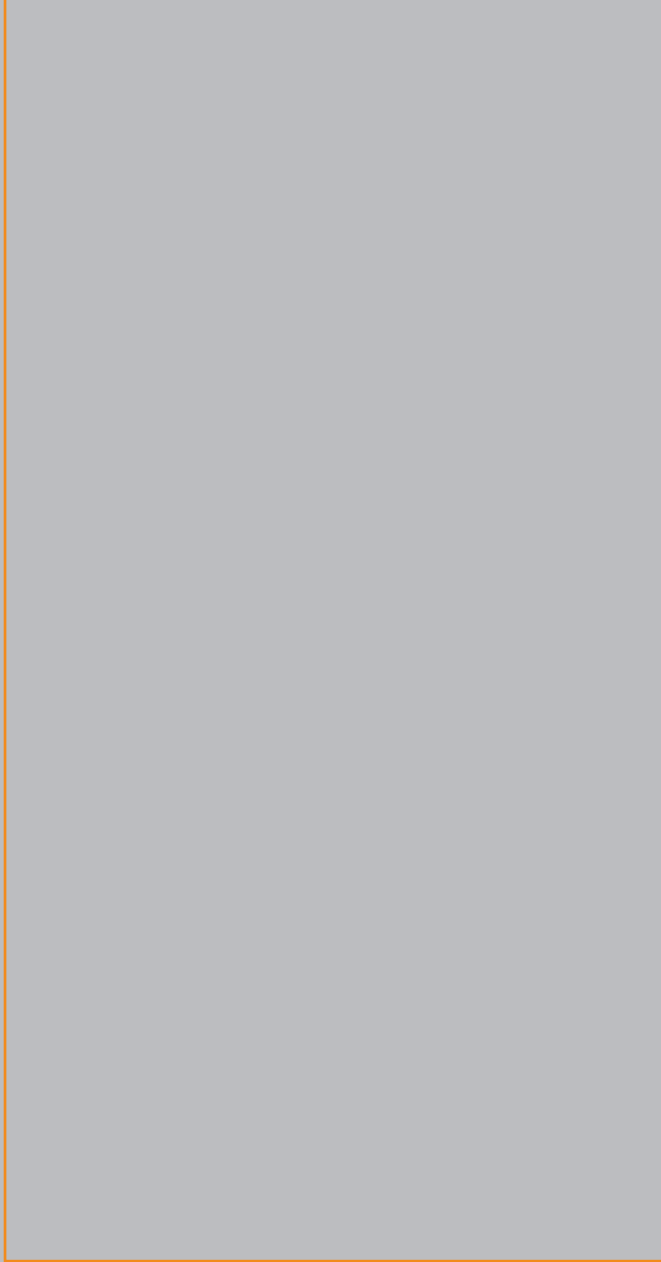




Fire & Emergency Services
Superannuation Fund

Report
to members
2022





Investment Market Update

2021/22 Financial Year Economic Commentary

Financial Year 2021-22 (FY22) was a year of two halves, beginning with optimism after more than 15 months of intermittent lockdowns and ending in concerns about inflation and pessimism about the future path of interest rates. The initial positivity was reflected in strong demand for goods and services and generally robust economic data which recovered close to pre-pandemic levels on some measures. Vaccination administration rates remained on-track in Australia allowing businesses to re-open and restart trade. Equity markets finished the calendar year close to all-time highs, with investors brushing aside the emergence and spread of a highly infectious new variant of COVID-19.

Sentiment deteriorated in the second half of FY22, beginning on 24 February 2022 with Russia's military activity in Ukraine. Several western countries responded with unprecedented sanctions on Russian exports. The humanitarian crisis engulfing eastern Europe fed already heightened inflation and shortages of essential goods (oil and gas, input commodities and food) in other parts of the world.

Market performance

Equity markets began the financial year delivering very strong returns on the backdrop of companies reporting higher than expected earnings. While some investors cautioned of an overheating economy and emerging signs of inflation, equity markets showed little signs of fragility. The US Federal Reserve dismissed inflation as 'transitory' and continued to stimulate the economy by growing their balance sheet through asset purchases.

The Russia-Ukraine crisis served as an untimely reminder to some investors that financial markets carry downside risk. Equity market sentiment became bearish in February, as investors took note of record high inflation prints and supply chain disruptions which weighed on revenues and profits.

As at 30 June 2022, many major equity market indices posted losses for FY22 after a period of exceptionally strong returns. The S&P 500 declined approximately -20.0% (USD) over the final six months of the financial year. The index ended the financial year negative, wiping all gains from the first half of FY22. The pandemic favourite sectors (Consumer Discretionary, Communication Services and Information Technology) were the largest detractors to performance, with most sectors, excluding Energy, generating negative returns. The S&P 500 Energy sector delivered over +30% (USD) in the latter half of the financial year, boosted by rising commodity prices exacerbated by the conflict in Europe.

Share markets in Europe and Australia experienced more modest losses. The Stoxx Europe 600 Index fell -7.2% (EUR) over the financial year, while the ASX 300 declined -6.8% (AUD) over the same period. The UK share market defied the trend, with the FTSE 100 ending the year +5.8% (GBP) higher.

Real asset investments in diversified Property and Infrastructure portfolios delivered strong returns in excess of +10%, providing investors with stable income and capital growth. Property and Infrastructure assets performed well due to strong consumer spending spurred by a general recovery in the economy during much of the financial year.

Investments in Fixed Income generated negative returns over the financial year as central banks began tightening monetary policy to curb inflation. Fixed Income investments offered little protection against falling risk assets, with the Barclays Global Aggregate Index (Hedged to AUD) declining -9.3%.

Economic update

The global economy demonstrated a speedy recovery in the first three quarters of the financial year, before signs of economic distress and slow-down emerged later in the year. Economists remain vigilant and uncertainty is rife as low unemployment and labour market statistics paint a positive picture of the economy, while rising inflation and falling economic activity (i.e. the purchasing manager's index) suggest a different picture. In many regions, consumer confidence has decreased materially.

The US headline inflation rate, as measured by the Consumer Prices Index (CPI) increased by +8.5% year-on-year to May 2022, the highest level since 1981. In Australia, the CPI increased +5.1% year-on-year to March and the Euro Area recorded a record-high increase of +8.1% to May. Central banks have cited a number of global factors accounting for much of the increase in inflation. In particular, events in Russia-Ukraine and China's zero COVID-19 policy have drastically shocked supply chains. Demand for housing has been another large contributor to rising inflation, with the number of housing transactions and related economic activity reaching record highs during the financial year.

The US Federal Reserve and other major central banks have expressed a strong desire to control inflation, signalling future interest rate hikes to eventually reduce inflation closer to target (approximately 2% for most developed economies). As at May 2022, the Federal Reserve increased the target funds rate to 1.5%-1.75% (up from 0.25-0.5% throughout 2020 and 2021). Similarly in Australia, the Reserve Bank of Australia increased the official cash rate to 1.35% (up from 0.10% during the pandemic).

Looking ahead, financial markets will eagerly be monitoring the effectiveness of central bank efforts to combat inflation, and the degree to which their policy response will lead to a slowing of the global economy.

Market Outlook

Inflationary pressures that began bubbling during the Covid crisis have come to a head, and central banks are fighting it by engineering an economic slowdown. Risks remain high in some markets, in others there are grounds for optimism and buying opportunities.

The global economy is facing significant cyclical pressures. After an unprecedented recession driven by the COVID-19 crisis, economies have recovered aggressively. However, that recovery has outpaced capacity and, combined with supply chain disruptions, high commodity prices and tight labour markets, has ignited inflation across both developed and emerging markets. Although some emerging Asian economies, such as China and India, are not witnessing the same price pressures as the rest of the world.

The Federal Reserve (Fed) and other central banks have begun tightening monetary policies to curb these inflationary pressures. A slowdown is now inevitable: it is necessary to ensure inflation – wage inflation, in particular – does not become entrenched.

The Fed's response has been belated, but inflation is likely to be brought back towards the 2% target over the medium term, consistent with sustainable growth in the US. Further, this can be achieved without a deep recession as the global economy is fundamentally resilient. The excess savings accumulated over the COVID crisis and healthy corporate balance sheets are likely to provide a valuable cushion in a period of tightening financial conditions and economic slowdown.

The year in brief

How well did the Fund perform?

The Board declared an annual crediting rate for the Smoothed investment option for 2021/22 of **-3.9%**. The declared annual crediting rate for the Smoothed investment option for 2021/22 for pension accounts was **-4.3%**.

For the past five years to 30 June 2022, the Fund has averaged a 'smoothed' investment return of **5.9%pa**. Since the Fund's inception in 1978, the smoothed investment return has averaged **9.0%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*
2018	8.4%	9.0%
2019	7.8%	7.8%
2020	-0.9%	2.7%
2021	14.5%	14.5%
2022	-3.9%	-3.9%
3 Year average (pa)	2.9%	4.2%
5 Year average (pa)	5.0%	5.9%
10 Year average (pa)	7.1%	7.0%

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

Fund Statistics as at 30 June 2022

Membership	2021/22	2020/21
Current Members	1,640	1,619
Retained Members	426	401
Pensioners	306	291
Spouse Accounts	134	140
Total	2,506	2,451

Benefits Paid	2021/22	2020/21
	\$	\$
Total	40,773,028	34,784,443

Contributions	2021/22	2020/21
	\$	\$
Member	8,445,710	5,419,319
Salary Sacrifice	13,889,522	13,325,698
Employer	21,070,260	20,491,142
Spouse	237,450	385,680
Transfers In	5,306,420	5,252,340
Total	48,949,362	44,874,179

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 2022 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 Michael Bailey – Senior Firefighter

Mr Kevin Landwehr – 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 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 AIA Australia Limited 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.

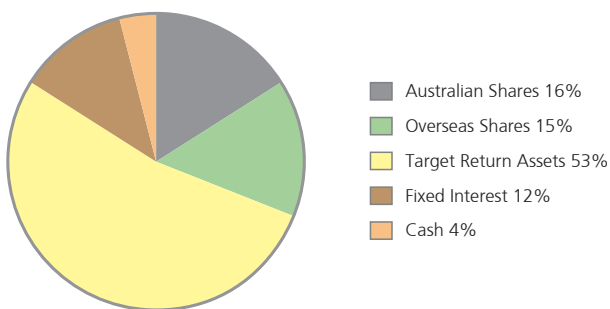
The Board accepted actuarial advice that the long term viability of the defined benefit section requires investment earnings at least 2% per annum greater than the growth of average salaries.

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 2022 for the defined benefit section is shown in the following charts.

DEFINED BENEFIT ALLOCATION



DEFINED BENEFIT PERFORMANCE

Defined Benefit Return ¹	-0.1%
FAS +2%pa ²	2.8%
Benchmark Return	1.8%

¹ Performance is for the one year to 30 June 2022.

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 1 January 2022 and a copy is available on request from the Board office or on our website.

NEWSLETTERS

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

THE ACT, REGULATIONS AND ACTUARIAL STATEMENTS

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

ANNUAL REPORT

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

ANNUAL BENEFIT STATEMENTS

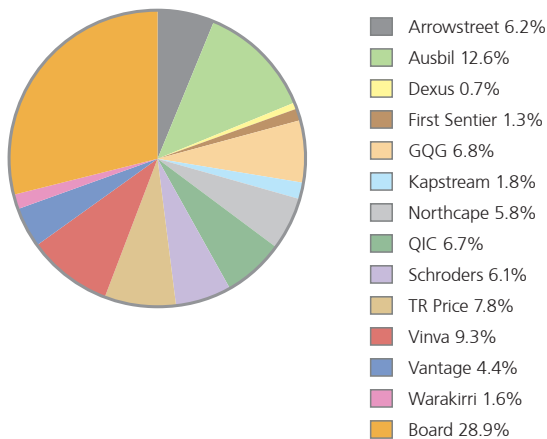
Members are sent an Annual Benefit Statement each year and upon request.

Investments

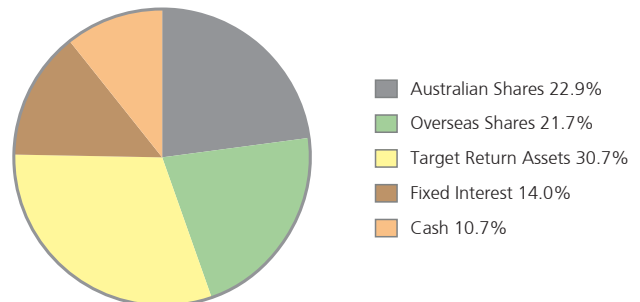
Where are the Assets invested?

The external fund managers are listed in the Directory on the last page of this report. The percentage distribution of assets with the managers and within each type of investment as at 30 June 2022 is shown in the following charts.

INVESTMENT OF ASSETS AT 30 JUNE 2022



DISTRIBUTION OF ASSETS AT 30 JUNE 2022



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%
	Fixed Interest	17%
	Cash	3%
Expected frequency of a negative annual return	<p>No more than three negative annual returns (after smoothing) in any 20 year period (on average). It has a medium to high level of risk.</p> <p>Historically, the Smoothed Option has produced a lower frequency of negative returns. This is due to the use of an investment fluctuation reserve in which a portion of the Fund's earnings in this investment option are set aside in the good investment years (i.e. when returns are high) in order to supplement returns in poor investment years (i.e. when the markets may lose money).</p>	

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

Asset Classes	Ranges	Allocation as at 30 June 2022	Allocation as at 30 June 2021	Crediting Rates	Accumulation Account	Pension Account
Australian Shares	15%-35%	29%	28%	2017/2018	9.0%	10.0%
Overseas Shares	15%-35%	30%	31%	2018/2019	7.8%	8.7%
Target Return	5%-45%	22%	20%	2019/2020	2.7%	3.0%
Fixed Interest	5%-40%	17%	18%	2020/2021	14.5%	15.7%
Cash	0%-20%	2%	3%	2021/2022	-3.9%	-4.3%

Performance against Objective	Accumulation Account	Objective	Pension Account	Objective
3 Years (pa)	4.2%	6.2%	4.6%	6.2%
5 Years (pa)	5.9%	5.7%	6.5%	5.7%
7 Years (pa)	5.5%	5.3%	6.1%	5.3%
10 Years (pa)	7.0%	5.3%	7.7%	5.3%

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 2022	Allocation as at 30 June 2021	Crediting Rates	Accumulation Account	Pension Account
Australian Shares	0%	0%	0%	2017/2018	1.4%	1.8%
Overseas Shares	0%	0%	0%	2018/2019	1.5%	1.9%
Target Return	0%	0%	0%	2019/2020	0.8%	1.1%
Fixed Interest	0%	0%	0%	2020/2021	0.1%	0.2%
Cash	100%	100%	100%	2021/2022	0.1%	0.2%

Performance against Objective	Accumulation Account	Objective	Pension Account	Objective
3 Years (pa)	0.5%	0.3%	0.6%	0.3%
5 Years (pa)	1.0%	0.8%	1.2%	0.9%
7 Years (pa)	1.4%	1.1%	1.7%	1.3%
10 Years (pa)	2.0%	1.5%	2.4%	1.7%

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 65% in shares/target return assets and 35% in cash/fixed interest.										
Strategic asset allocation	<table> <tr> <td>Australian Shares</td> <td>12%</td> </tr> <tr> <td>Overseas Shares</td> <td>18%</td> </tr> <tr> <td>Target Return</td> <td>35%</td> </tr> <tr> <td>Fixed Interest</td> <td>25%</td> </tr> <tr> <td>Cash</td> <td>10%</td> </tr> </table>	Australian Shares	12%	Overseas Shares	18%	Target Return	35%	Fixed Interest	25%	Cash	10%
Australian Shares	12%										
Overseas Shares	18%										
Target Return	35%										
Fixed Interest	25%										
Cash	10%										
Expected frequency of negative return	No more 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 2022	Allocation as at 30 June 2021	Crediting Rates	Accumulation Account	Pension Account
Australian Shares	0%-30%	14%	17%	2017/2018	5.5%	6.2%
Overseas Shares	0%-30%	18%	23%	2018/2019	6.3%	7.1%
Target Return	0%-30%	38%	20%	2019/2020	-0.2%	0.0%
Fixed Interest	10%-50%	24%	35%	2020/2021	9.9%	10.8%
Cash	10%-50%	6%	5%	2021/2022	-3.6%	-3.9%

Performance against Objective	Accumulation Account	Objective	Pension Account	Objective
3 Years (pa)	2.0%	5.2%	2.2%	5.2%
5 Years (pa)	3.7%	4.7%	4.1%	4.7%
7 Years (pa)	4.0%	4.3%	4.5%	4.3%
10 Years (pa)	5.2%	4.3%	5.9%	4.3%

GROWTH OPTION – This investment option closed on 30 June 2022

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	<table> <tr> <td>Australian Shares</td> <td>20%</td> </tr> <tr> <td>Overseas Shares</td> <td>30%</td> </tr> <tr> <td>Target Return</td> <td>30%</td> </tr> <tr> <td>Fixed Interest</td> <td>17%</td> </tr> <tr> <td>Cash</td> <td>3%</td> </tr> </table>	Australian Shares	20%	Overseas Shares	30%	Target Return	30%	Fixed Interest	17%	Cash	3%
Australian Shares	20%										
Overseas Shares	30%										
Target Return	30%										
Fixed Interest	17%										
Cash	3%										
Expected frequency of negative return	No more 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 2022	Allocation as at 30 June 2021	Crediting Rates	Accumulation Account	Pension Account
Australian Shares	15%-35%	29%	28%	2017/2018	8.4%	9.4%
Overseas Shares	15%-35%	30%	31%	2018/2019	7.8%	8.7%
Target Return	5%-45%	22%	20%	2019/2020	-1.1%	-0.9%
Fixed Interest	5%-40%	17%	18%	2020/2021	14.5%	15.7%
Cash	0%-20%	2%	3%	2021/2022	-3.9%	-4.3%

Performance against Objective	Accumulation Account	Objective	Pension Account	Objective
3 Years (pa)	3.0%	6.2%	3.3%	6.2%
5 Years (pa)	5.1%	5.7%	5.7%	5.7%
7 Years (pa)	5.3%	5.3%	5.8%	5.3%
10 Years (pa)	7.3%	5.3%	8.1%	5.3%

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	No more 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 2022	Allocation as at 30 June 2021	Crediting Rates	Accumulation Account	Pension Account
Australian Shares	90%-100%	100%	100%	2017/2018	13.3%	13.9%
Overseas Shares	0%	0%	0%	2018/2019	8.7%	8.8%
Target Return	0%	0%	0%	2019/2020	-9.3%	-9.3%
Fixed Interest	0%	0%	0%	2020/2021	30.2%	30.2%
Cash	0%-10%	0%	0%	2021/2022	-5.0%	-5.0%

Performance against Objective	Accumulation Account	Objective	Pension Account	Objective
3 Years (pa)	4.1%	3.4%	4.1%	3.4%
5 Years (pa)	7.0%	6.9%	7.1%	6.9%
7 Years (pa)	6.9%	7.0%	7.0%	7.0%
10 Years (pa)	9.8%	9.2%	10.6%	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	No more 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 2022	Allocation as at 30 June 2021	Crediting Rates	Accumulation Account	Pension Account
Australian Shares	0%	0%	0%	2017/2018	15.0%	17.6%
Overseas Shares	90%-100%	100%	100%	2018/2019	11.8%	13.7%
Target Return	0%	0%	0%	2019/2020	3.6%	4.1%
Fixed Interest	0%	0%	0%	2020/2021	18.3%	21.3%
Cash	0%-10%	0%	0%	2021/2022	-9.7%	-11.1%

Performance against Objective	Accumulation Account	Objective	Pension Account	Objective
3 Years (pa)	3.5%	6.1%	4.0%	6.9%
5 Years (pa)	7.5%	8.2%	8.6%	9.4%

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	No more than two 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 2022	Allocation as at 30 June 2021	Crediting Rates	Accumulation Account	Pension Account
Australian Shares	0%	0%	0%	2017/2018	1.7%	2.2%
Overseas Shares	0%	0%	0%	2018/2019	5.8%	6.9%
Target Return	0%	0%	0%	2019/2020	2.3%	2.8%
Fixed Interest	90% - 100%	100%	100%	2020/2021	1.1%	1.3%
Cash	0%-10%	0%	0%	2021/2022	-5.2%	-6.1%

Performance against Objective	Accumulation Account	Objective	Pension Account	Objective
3 Years (pa)	-0.5%	-2.2%	-0.6%	-2.6%
5 Years (pa)	1.3%	0.8%	1.5%	0.9%

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 2022. 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 2021

Inflow 2021/2022	
Employer Contributions	21,070,260
Salary Sacrifice Contributions	13,889,522
Member Contributions	8,445,710
Spouse Contributions	237,450
Investment Revenue	-16,116,976
Transfers	5,306,420
Other Revenue	2,708,632
Total	35,541,018

Outflow 2021/2022	
Benefits Paid	40,773,028
Group Life Premiums	2,712,941
Administration Expenses	3,707,868
Investment Expenses	632,380
Taxation	1,400,344
Total	49,226,561

NET ASSETS AVAILABLE TO PAY BENEFITS AS AT 30 JUNE 2022

AT 30 JUNE 2022 THE ASSETS OF THE FUND ARE REPRESENTED BY

ASSETS	
Investments	846,245,713
Other Assets	478,506
Total Assets	846,724,219
Liabilities	2,884,963
Net Assets	843,839,256

Fund Statistics (as at 30 June)

WORKING MEMBERS			
	2022	2021	2020
Members at start of period	1,619	1,603	1,585
New members	151	138	144
Exits	130	122	126
Members at end of period	1,640	1,619	1,603

BENEFIT ENTITLEMENTS			
	2022	2021	2020
Death	750	1,938	4,613
Retirements (includes Redundancies)	25,639	13,641	15,103
Total Disablement	11,473	9,727	10,022
Partial Disablement	1,058	3,509	1,226
Resignation	5,350	2,867	1,987
Total	(\$,000) 44,270	31,682	32,951

PENSIONERS			
	2022	2021	2020
Number of Pensioners	306	291	282
Balance of Accounts	(\$,000) 108,525	102,033	90,973

RETAINED MEMBERS			
	2022	2021	2020
Number of members	426	401	361
Balance of Accounts	(\$,000) 138,234	136,469	112,922

SPOUSE ACCOUNTS			
	2022	2021	2020
Number of members	134	140	144
Balance of Accounts	(\$,000) 25,570	28,124	22,919

OTHER			
	2022	2021	2020
Administration Expenses	(\$,000) 3,708	3,241	3,427
Investment Income	(\$,000) (13,426)	113,545	(6,663)
Net Fund Crediting Rate (Smoothed)	-3.9%	14.5%	2.7%

Changes to Superannuation from 1 July 2022

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

INCREASE IN SUPER GUARANTEE PERCENTAGE

From 1 July 2022, the percentage rate for the Super Guarantee (SG) increases from 10% to 10.5%. Employers are required to contribute additional money into their employees' super accounts in line with the higher SG percentage rate.

The SG has been 10% since 1 July 2021 and under the current schedule of legislated increases, the percentage rate will rise again to 11% on 1 July 2023. It will continue rising 0.5% each year until it reaches its final rate of 12% on 1 July 2025.

REMOVAL OF THE \$450 MONTHLY SG THRESHOLD

A major change commencing 1 July 2022 is the abolition of the \$450 monthly minimum wage threshold to qualify for employer Super Guarantee contributions.

This scrapping of the monthly threshold amount means employers are now required to make super contributions for all their employees (including casual and part-time employees) regardless of how much they earn. The only exceptions are employees aged under 18 and working less than 30 hours per week.

REDUCTION IN ELIGIBILITY AGE FOR DOWNSIZER CONTRIBUTIONS

Following passage of the *Treasury Laws Amendment (Enhancing Superannuation Outcomes) Regulations 2022*, the eligibility age for making downsizer contributions into super was reduced from 65 years to 60.

From 1 July 2022, more people in their sixties can make contributions (up to \$300,000 per person or \$600,000 per couple) into their super account using the downsizer measure, provided they meet the eligibility criteria.

INCREASE IN AGE LIMIT FOR VOLUNTARY SUPER CONTRIBUTIONS

From 1 July 2022, anyone aged 67 to 74 who wishes to make a non-concessional, voluntary super contribution is no longer required to meet the work test (or work test exemption) to be eligible to make the contribution. The other normal eligibility criteria such as a Total Super Balance of less than \$1.7 million and sufficient unused annual non-concessional contributions cap still apply.

The only exception is for people wishing to make a personal contribution into their super account and then claiming a tax deduction for the contribution. This type of personal concessional contribution still requires the contributor to meet the work test (or work test exemption).

SPOUSE CONTRIBUTION AGE LIMIT INCREASED

In line with the other increases in the contribution age limits, from 1 July 2022 it is possible to make a contribution into your spouse's super account without you or your spouse needing to meet the requirements of the work test (or work test exemption). The other normal eligibility criteria such as a Total Super Balance of less than \$1.7 million and sufficient unused annual non-concessional contributions cap still apply.

INCREASE IN AGE LIMIT FOR SALARY-SACRIFICE CONTRIBUTIONS

The age limit for making salary-sacrifice contributions into super without needing to meet the work test has also been increased from age 67 to 74. This means from 1 July 2022 eligible salary-sacrifice arrangements into super are available to anyone aged under 75 without the need to meet a work test. The other normal eligibility criteria such as a Total Super Balance of less than \$1.7 million and sufficient unused annual non-concessional contributions cap still apply.

INCREASE IN AGE LIMIT FOR BRING-FORWARD RULE

Older super fund members who want to make a large non-concessional contribution into their super account can now do so from 1 July 2022, after the *Treasury Laws Amendment (Enhancing Superannuation Outcomes) Regulations 2022* became law. The reform lifts the cut-off age for using the bring-forward rule to under 75 from under 67 previously.

This means people up to age 74 can use up to three years' worth of their non-concessional (after-tax) contribution caps over a shorter period. Eligibility to use the bring-forward rule will still depend on the contributor's Total Super Balance at 30 June of the previous year and the total of personal contributions over the past two financial years.

INCREASE IN FIRST HOME SUPER SAVER SCHEME (FHSS) LIMIT

From 1 July 2022, the maximum amount of eligible contributions that can be released through the First Home Super Scheme (FHSS) increases from \$30,000 to \$50,000. However, the annual limit for voluntary contributions eligible for the scheme remains at \$15,000 per financial year.

TEMPORARY REDUCTION IN SUPER PENSION MINIMUM DRAWDOWNS

The government has extended the temporary reduction in the minimum drawdown rates by 50% for account-based pensions and similar products in the 2022–23 income year. The temporary reduction also applied to the 2019–20, 2020–21 and 2021–22 financial years.

CONVERSION OF LEGACY PENSION AND ANNUITY PRODUCTS

1 July 2022 also marks the start of a two-year non-compulsory conversion period for older market-linked, life-expectancy and lifetime pension and annuity products.

Retirees with products commenced prior to 20 September 2007 are able to exit their legacy product by fully commuting it and transferring the underlying capital (plus reserves) into an accumulation super account. The funds can then be used to start a new retirement product, take a lump sum, or be retained in the accumulation account.

The commuted reserves will not count towards the fund pensioner's concessional contributions cap or trigger excess contributions.

CHANGES TO THE HOME EQUITY ACCESS SCHEME (HEAS)

Following passage of the *Social Services and Other Legislation Amendment (Pension Loans Scheme Enhancements) Act 2022*, older Australians who have applied to use the government's HEAS can access lump sum advance payments from 1 July 2022. The maximum advance is capped at 50% of the maximum annual rate of their pension (including pension and energy supplements and rent assistance).

The legislation also introduced a no negative equity guarantee for HEAS participants to ensure participants with an outstanding loan balance on or after 1 July 2022 will not have to repay more than the equity they have in the property used to secure their loan.

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 2022 and has reported that *"the Fund is currently in a satisfactory financial position as at 30 June 2022 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 2022

	Operational Risk Reserve	SDB Reserve	Smoothed Option Investment Reserve	Defined Benefit Investment Reserve	Total Reserves
Balance at 1 July 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
Movement	257,436	1,038,761	0	0	1,296,197
Balance at 30 June 2022	2,595,861	36,955,124	0	0	39,550,985

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

Michael Bailey
Kevin Landwehr

MINISTER

Treasurer – Hon Mark McGowan MLA

FUND SECRETARY

Adrian Rutter

ACTUARY

Nathan Bonarius – PricewaterhouseCoopers

INSURER

AIA Australia Limited

ACCOUNTANT

Sharyn Long Chartered Accountants

ASSET CONSULTANT

Mercer Investments (Australia) Limited

BANKER

Commonwealth Bank of Australia

AUDITORS

Auditor General (WA)

INVESTMENT MANAGERS

Acure Asset Management

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

Arrowstreet Capital

50 Martin Place, SYDNEY NSW 2000

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

Macquarie Group

Level 7, 50 Martin Place, SYDNEY NSW 2000

Northcape Capital

Level 24, 45 Clarence Street, SYDNEY NSW 2000

Primewest Management Limited

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

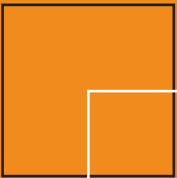
Email: admin@fessuper.com.au

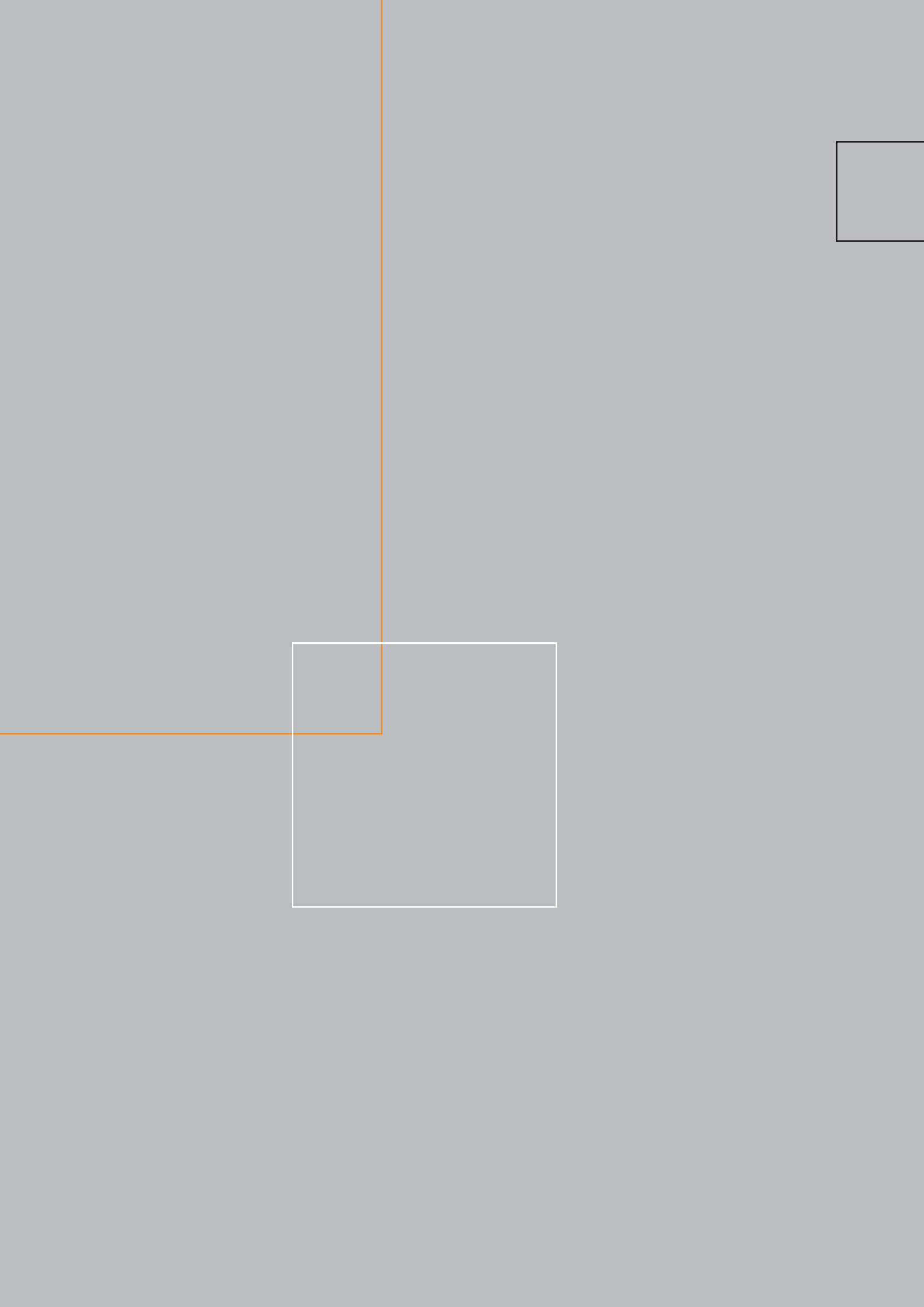
DISCLAIMER

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.





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