



Statement of Corporate Intent 2019/20

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Executive summary

This is the Government Employees Superannuation Board's (GESB's) Statement of Corporate Intent (SCI) for the 2019/20 financial year. It includes an overview of GESB and its operating environment, key priorities, performance targets and financial forecasts for 2019/20.

In 2019/20, we remain committed to continuing to provide high quality, value for money superannuation and retirement products and services that meet the State's and our members' needs in a prudent manner.

Our purpose is to *'look after our members' superannuation with excellence'* and our corporate goal is *'improved long term superannuation benefits for our members'*.

Our purpose, goal, key result areas and priorities are determined within the context of GESB's enabling legislation and the Heads of Government Agreement (HoGA) between the State of Western Australia (WA) and the Commonwealth. They are also aligned to the WA Government's Outcomes Based Management (OBM) framework.

In 2019/20 we will be focusing resources on addressing the following key strategic priorities:

- Engaging and informing members through a variety of channels, with a particular focus on increasing the use of digital channels to meet evolving member and community expectations for the delivery of superannuation and financial services
- Increasing engagement with employers to assist them in effectively and efficiently discharging their superannuation obligations
- Strong management of all key service provider contracts to ensure value for money services to the State and members
- Monitoring and managing implementation of Commonwealth superannuation reforms and any State regulatory and legislative amendments
- Securing sound investment performance against investment objectives
- Ensuring cost effective and efficient operations

Our financial forecasts for 2019/20 show projected funds flows, Funds Under Management (FUM), budgeted expenses and capital investment required to support the delivery of our strategic priorities. The financial outcomes for future years, including the potential impacts that will flow from the implementation of Commonwealth and State reforms, are in the Strategic Development Plan (SDP).

1. GESB overview

1.1. Statutory framework

As a statutory authority, GESB administers a number of Exempt Public Sector Superannuation Schemes (EPSSSs) and is accountable to the Treasurer of Western Australia. An EPSSS is a scheme that the Commonwealth has agreed to exempt from its *Superannuation Industry (Supervision) (SIS) Act 1993* legislation. This is in recognition of the complexities associated with, and the relevant State laws governing, public sector schemes.

GESB's statutory and regulatory framework is principally derived from:

- GESB's enabling legislation, the *State Superannuation Act 2000 (SSA)* and the *State Superannuation Regulations 2001 (SSR)*
- Treasurer's Guidelines
- The HoGA of July 2014 between the State of WA and the Commonwealth

GESB's seven-member Board of Directors sets, monitors and reviews the strategic direction of GESB under the State policy framework. GESB is responsible to the Treasurer who approves GESB's strategic direction through the SCI and SDP. In the performance of its functions, GESB is subject to the written guidelines or approvals of the Treasurer. We are not directly subject to Australian Prudential Regulation Authority (APRA) regulation.

1.2. Heads of Government Agreement (HoGA)

The State of WA is a signatory to a HoGA with the Commonwealth. Under the HoGA, in recognition of the circumstances surrounding the Government Employees Superannuation (GES) schemes (such as the complex nature of the defined benefit schemes, the public accountability of the schemes, the State laws governing the schemes' Constitutional Protection and State prudential controls), the Commonwealth agreed to exempt the GES schemes from the relevant Commonwealth legislation governing superannuation funds, i.e. the *Superannuation Industry (Supervision) Act 1993 (SIS Act)*.

Therefore, the *SIS Act* provides that the GES schemes, as EPSSSs, are deemed to be complying superannuation funds for Superannuation Guarantee (SG) purposes under the *Superannuation Guarantee (Administration) Act 1992* and for income tax purposes under the *Income Tax Assessment Act 1936*.

In return for these exemptions, the State Government agreed to ensure that members' accrued benefits would be fully protected¹. A fundamental component of the HoGA is the State's undertaking to comply with Commonwealth retirement income policy to the best of its endeavours. The incorporation of the relevant principles is evident in the SSA and SSR.

1.3. GESB's corporate responsibilities, purpose and corporate goal

Operating under the SSA regulatory framework, we manage the GES Fund and deliver cost effective and trusted products (including insurance) and services to members, employers and the State.

We manage superannuation accounts and investments for over 240,000 (as at 31 December 2018) current and former WA public sector employees. We manage an investment portfolio of \$26.6bn (as at 31 December 2018) of which 89% (\$23.7bn) is managed for members in market-linked schemes (where members bear the investment risk) and \$2.7bn is managed for the State to support its defined benefit liabilities.

We also administer the GES schemes and other defined benefit schemes for the State and provide information and assistance to the Treasurer on superannuation matters. In accordance with the SSA, the GESB Board also formulates and gives effect to an investment strategy for the fund to achieve prudent diversification and deliver returns that meet or exceed investment objectives.

¹ Note: Protection does not extend to investment losses except for member accounts subject to the West State Super Minimum Benefit Guarantee.

Our investment framework operates in accordance with Prudential Guidelines for Investments issued by the Treasurer.

As a result of our fee structure and focus on cost effective operations, target cost per member to administer the accumulation schemes for 2019/20 is \$146. This is below the median for all superannuation funds. In relation to the market-linked schemes, the net excess of income over expenses is transferred to reserves for implementation of reforms and product and service enhancements for members and to mitigate the impact of an adverse event.

We are primarily a self-funded agency, though we recover the operational costs of administering the State's defined benefit schemes and other Government related activity including the cost of Government services, from the Consolidated Account.

The State guarantees payment of every benefit payable under a GES scheme^{2,3}. This is particularly relevant for members of the State's defined benefit schemes, which are not fully funded.

Under the SSA, we can only accept SG and salary sacrifice contributions from WA public sector employers.

In carrying out our responsibilities, the GESB Board acts honestly, fairly and diligently to create and build value for members, having regard to the interests of all stakeholders including the State, members, employers, employees, suppliers and the broader community.

At all times, we operate to achieve our purpose under prudent commercial principles, the specific requirements of our governing legislation and broader responsibilities of good corporate citizenship.

Our purpose, corporate goal and key result areas reflect State and Commonwealth policy objectives and our governing legislation to act, as far as practicable, in the best interests of members in performing our functions. They are also aligned to the WA government's OBM framework, with GESB's outcome contributing to the government goal of sustainable finances (responsible financial management and better service delivery).⁴

Our purpose is to '*look after our members' superannuation with excellence*'. Our corporate goal is '*improved long term superannuation benefits for our members*.' Our focus is on 'operational excellence' and delivery of well-regarded services and products to members and employers.

Our key result areas are:

- **Financial outcomes for members**
Net benefit to members through low fees and delivery of returns that meet or exceed investment objectives
- **Service and engagement**
A positive experience for members when they engage with GESB and in their superannuation
Assisting employers in meeting their superannuation obligations efficiently and effectively
- **Efficient and effective operations**
Value for money products and services
- **Engaged people**
Supporting and enabling staff to deliver agreed outcomes and meet member and employer needs

Together with Stronger Super guidelines issued by the Treasurer we have adopted a set of 'default fund' principles, encompassing tenets of the Commonwealth's MySuper framework, that we apply to the Fund as a whole (as the employer default fund for the majority of WA public sector employees) as well as to the default investment option of each scheme. The key principles are

² State Superannuation Act 2000, Division 5, Sections 31 and 32.

³ Note: Benefit Payment Guarantee excludes investment market losses except for West State Super Minimum Benefit Guarantee, which is funded from a specific reserve.

⁴ Department of Treasury, Government of Western Australia; Outcomes Based Management; Guidelines for us in the Western Australian Public Sector (2017)

that participation in the default fund is a position of 'trust' rather than 'disengagement' and that the role of the default fund is to 'provide net benefit to members' (regardless of whether they choose to engage). Other principles include appropriate investment strategy and fees, insurance members can rely on, strong governance and accessible, transparent and relevant information.

GESB's values are:

- **Put members first** - we are committed to providing excellent default superannuation and retirement products and related services that meet our members' needs
- **Sustainable performance** - we are committed to consistently delivering well-regarded, value for money products and services with performance that meets or exceeds objectives
- **Achieve together** - we partner with our members, the State, employers and other stakeholders to successfully deliver on our purpose
- **Act with integrity** - we approach every aspect of our work ethically and operate transparently and with full accountability. We demonstrate our sense of responsibility, by 'taking ownership' of issues to ensure a satisfactory outcome

1.4. GESB's performance

Performance against the SCI is reported in the Quarterly Performance Report to the Treasurer.

GESB continues to perform well and be valued by members and employers:

- GESB was recognised as a Top 20 'Best Practice' agency by the Office of the Auditor General (2017/18 Annual Report)
- GESB has consistently achieved a Platinum Rating for the West State Super, GESB Super and Retirement Income Pension schemes recognising GESB as a 'best value for money' fund⁵
- Member satisfaction with the service provided by our Member Services Centre (MSC) remained extremely high over the 2017/2018 financial year at 85%, with 74% of surveyed members scoring GESB 8-10 (out of 10)⁶
- Employer satisfaction with the service provided by GESB is 91%⁷
- Staff satisfaction remains strong at 95%⁸
- GESB's long-term (10-year) investment performance is marginally ahead of the peer group median return⁹

⁵ SuperRatings Annual Benchmarking Survey (February 2018)

⁶ GESB Member Services Satisfaction Research (Financial Year 17/18), Research Solutions.

⁷ GESB Employer Satisfaction and Engagement Research (October 2018) Research Solutions.

⁸ GESB Employee Satisfaction Survey (September 2018) GESB Human Resources.

⁹ SuperRatings Fund Crediting Rating Survey (February 2018).

2. Our strategy - 2019/20

In 2019/20 we will remain committed to providing high quality, value for money superannuation and retirement products and services that meet the needs of our members, employers and the State in a responsible manner.

Our strategy focuses on initiatives that enhance our members' experience and focus on the achievement of appropriate outcomes for members. We will continue to build our digital capability to meet the evolving needs and expectations of members and employers. We will also focus on ensuring all initiatives are aligned to State policy.

Strategic framework

Area	Initiatives
Service and engagement	<p>Members:</p> <ul style="list-style-type: none"> Continue to focus on digital strategies as a cost effective way to engage and service members, including further roll out of default electronic communications and online tools Target improvements in service levels to members, whilst continuing to ensure value for money Continue to focus member communication on information and engagement in superannuation Expand and enhance the information and tools available to members to meet their information needs and assist with improving retirement outcomes Continue to develop GESB's Reconciliation Action Plan and improve services to our Aboriginal and Torres Strait Islander members <p>Employers:</p> <ul style="list-style-type: none"> Increase engagement with employers to improve process efficiencies and strengthen the exchange of information between GESB and employer agencies to ensure products and services continue to reflect member and employer needs Continue provision of all services currently provided to employers by GESB directly and through GESB's outsourced provider of administration services, The Link Group (Link). This includes appropriate educational activities for members and employers Support employers to meet their obligations under the State Policy on SuperStream through the provision of Employer Online, GESB's secure online contributions portal
Financial performance for members	<p>Investment strategy:</p> <ul style="list-style-type: none"> Continue to ensure GESB achieves robust and appropriate investment returns Enhance and improve valuation and risk analysis tools and capabilities Continue to pursue efficiencies in the formulation and implementation of investment strategy <p>Fees:</p> <ul style="list-style-type: none"> Conduct an annual review of pricing and reserving policies and implement any required changes Conduct an insurance premium review (including the impact of the Commonwealth's Protecting Your Super package)
State and Commonwealth reform	<p>State reform:</p> <ul style="list-style-type: none"> Implementation of any State policy reforms as required <p>Commonwealth reform:</p> <ul style="list-style-type: none"> Implementation of any Commonwealth legislative and policy changes that are within the State's policy framework and consistent with the HoGA (for example outcomes of the Productivity Commission review, the 2018 Budget measures and continued SuperStream implementation)
Efficient and effective operations	<ul style="list-style-type: none"> Effective management of key service provider contracts to ensure value for money in fees charged to members: <ul style="list-style-type: none"> Administration – Link Master Custodian – Northern Trust Investment Adviser – JANA Investment Advisers Insurance Services – AIA Australia (AIA)

- Implementation of new administration letter system(s) to improve member experience

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|-----------------------|---|
| Engaged people | <ul style="list-style-type: none"> • Professional development programme around skills relevant to delivery of GESB's objectives and aligned to career development for employees • Effective succession plan management and corporate knowledge capture • Continued focus on competency around contract management • Continued participation in State and Public Sector Commission initiatives |
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2.1. Service and engagement

Services to members

We provide a range of member information and support services (for example, Insurance Claims Consultants (ICC), Member Services Consultants (MSC), Retirement Options Service (ROS) and seminars). In 2019 we are introducing Click to Chat on our website as a means for members to resolve simple queries online. In 2018 we also ceased the provision of phone based Simple Advice as utilisation by members decreased significantly with the introduction of a fee for the service and as we are implementing alternative online services.

We have an ongoing commitment to maintain the level and quality of these services to members, which can be accessed through seminars, face-to-face, webinars, over the phone, in printed materials and on-line. Delivery and cost of these services including ROS and seminars are being reviewed on an ongoing basis to ensure they meet the MySuper requirements with respect to cost allocation and accessibility.

As the MSC, ROS and ICC services are provided by Link, service standards and measures are in place to ensure the level of service provided remains high.

We recognise that member and community expectations relating to the delivery of superannuation and financial services continue to evolve. We are committed to continuous improvement in our tools, systems and processes to ensure that members can interact with GESB via a range of channels and be serviced in an efficient, timely and informed manner.

Member communication and information

During 2019/20 we will continue to encourage members to actively engage with their super and make informed choices through timely, targeted and relevant messages and informational tools. This will include the use of email communications to encourage, for example, salary sacrificing, to assist members in achieving better retirement outcomes and increased communication around members' insurance to raise awareness of cover and premiums.

Electronic member engagement

Our digital strategy will continue to evolve to improve the efficiency and effectiveness of the digital channel as a self-service, information distribution and communication tool, in order to increase member awareness and engagement with their superannuation. This includes strategies to encourage increased use of our public website and Member Online system as the default information and education resources for members.

We commenced issuing member statements electronically by default from June 2018. In 2019/20 we aim to further enhance this strategy through the introduction of interactive statement summaries.

We have also implemented electronic communication by default for compliance related documents as well as increasingly for other member correspondence such as confirmation of investment switches and of contributions received. This includes the use of SMS messaging for member-initiated actions.

In 2018 we implemented a retirement income projection calculator on our website that along with other initiatives encourages use of the digital channel by members as a source of information and education.

The Online Member Engagement Strategy (OMES) commenced in 2018 and is focused on delivering tools and information around two key member information needs – contributions and investments. Tools include videos, calculators and structured content.

We are increasingly moving to online (as opposed to paper) forms for members, unless they specifically request otherwise.

Aboriginal and Torres Strait Islander members

GESB is committed to improving outcomes for our Aboriginal and Torres Strait Islander members and employees. Our vision for reconciliation is to engage with Aboriginal and Torres Strait Islander peoples in ways that are responsive and relevant to their needs and results in improved superannuation outcomes for them and their families.

In 2017 we formed a Reconciliation Action Plan committee. We are currently working under Reconciliation Australia's 'Reflect' framework, and are in the process of finalising our Reconciliation Action Plan.

We have also engaged Indigenous Managed Services (IMS) to assist us in understanding how to provide better services to our Aboriginal and Torres Strait members. They developed and conducted cultural awareness programs for GESB staff and relevant Link employees in 2018. The training covered the rich cultural history of Aboriginal people, and identified opportunities to develop relationships with other Aboriginal stakeholders and better service our members.

Currently, we participate in the Public Sector Commission's Aboriginal Traineeship program, the national Indigenous Superannuation Working Group, and apply the AUSTRAC rules on alternative identification for Aboriginal members. We also acknowledge the Traditional Owners at the commencement of all Board and relevant staff meetings, and seminars.

Product

Under our corporate strategy to be an excellent default superannuation provider, we focus on providing high quality, value for money default products. Implementation of new products is typically only in response to legislative or regulatory change and we seek to not introduce any products or services that may complicate future State policy considerations around the provision of superannuation. We do however, monitor product performance and strategy to ensure we continue to meet member needs and are aligned to Commonwealth retirement income policy.

The premium rate guarantee for provision of insurance services by GESB's group insurer, AIA, expires in September 2019. A review of premium rates will conclude in the first half 2019. This requires independent assessment of claims experience to ensure insurance premiums remain reasonable. GESB's objectives are to provide default insurance benefits for members which are appropriate, reliable and based on the demographics of the Fund, and that associated insurance premiums are affordable, competitively priced and do not unduly erode members' retirement benefits. Our 2019 insurance pricing review will also involve a review of and possible enhancements to policy terms. Where required we will incorporate any necessary changes resulting from the Commonwealth's Protecting Your Super legislative package.

Services to employers

Employers across the WA public sector are key stakeholders in GESB. State Government employers are highly satisfied with GESB's services¹⁰, for example providing workplace education sessions to employees (GESB members) and assisting agencies to meet their superannuation obligations.

GESB's webinar-based education program was expanded in 2016, allowing GESB to reach a greater number of members, particularly in regional areas.

As Link is delivering administration services directly to employers, service standards and measures have been developed to ensure the current levels of services are maintained. Processes are in place between GESB's Key Account Management (KAM) team and Link to ensure the KAM team continue to be supported in their roles and in dealing with employer-related issues. The KAM team also engages with employers across the public sector to assist employers

¹⁰ Research Solutions, GESB Employer Satisfaction and Engagement Research, 2018

in discharging their obligations, improve understanding and efficiencies, and provide support should issues arise.

2.2. Financial performance for members

Investment performance

Formulating and giving effect to investment strategy and prudently managing investment risk for members and the State are key responsibilities of the GESB Board. GESB's investment strategy and approach have resulted in sound investment returns and efficient investment costs.

A comprehensive Investment Governance Framework sets out GESB's investment approach and obligations, and establishes clear accountability and responsibility frameworks for the Fund's investment decision-making, implementation, monitoring and review functions.

A comprehensive investment performance monitoring regime is also maintained. The principal goals of performance monitoring are to:

- assess the extent to which the Board's investment objectives are being achieved
- identify and quantify the sources of investment performance divergence from applicable benchmarks and
- compare the performance of the Fund's investment options against the performance of other relevant peer funds and comparators

The main determinant of investment performance is the Strategic Asset Allocation – the long-term allocation of assets between broad asset classes (equities, cash, property, etc.) – for each investment option. This allocation has a major impact on the risk and return profile of each investment option within the Fund.

Our Readymade investment options continue to exceed their primary, inflation-plus investment objectives. Growth asset returns have generally been strong over this period, which has assisted in achieving long-term objectives.

In 2018, GESB adopted the Australian Institution of Superannuation Trustees model for investment manager operational due diligence. The orderly wind down of GESB's Private Equity investment portfolio (in light of return, risk, cost and liquidity considerations) continues.

In 2019/20 we will continue to focus on ensuring that GESB produces investment returns for members that meet or exceed investment objectives.

Reserves

GESB's superannuation and retirement schemes should generate sufficient revenue to cover all allocated fixed and variable scheme costs. In the 2017/18 financial year the accumulation and retirement income schemes generated a surplus.

Net excess of income over costs for the market-linked schemes has historically been transferred to an Operational Risk Reserve (ORR). GESB's ORR has a Board endorsed target range of 40-60 basis points of the accumulation and retirement scheme FUM, which is conservative with respect to industry standards.

An Accumulation General Reserve (AGR) was established in September 2013 as the ORR reached the Board's endorsed target. The AGR is designed to support the costs of strategic development, ongoing Commonwealth superannuation reforms and other structural adjustments (for example conducting tenders and reviewing key service provider contracts) that are relevant for the accumulation and retirement income schemes. Whilst the ORR is on target, surplus funds are transferred to the AGR account that has a target level of 5 basis points. If the ORR was to move below its target range, the Board has the option to use funds from the AGR to bring it back into the target range.

The Board has committed to undertake an annual review aimed at ensuring that the pricing and reserving policies are aligned to the target levels of both the ORR and AGR. It should be noted that the AGR currently exceeds the Board's target of 5 basis points of the accumulation and retirement scheme FUM.

Fees/pricing

Pricing for GESB's market linked superannuation and retirement schemes is determined by the Board based on annual reviews of each scheme's financial position. The Board sets pricing to recover the cost of providing each scheme, support the viability of GESB, maintain reserves to ensure capital adequacy relative to risk and assets, and meet the Sole Purpose Test.

Pricing recommendations are also aligned with the *SIS Act* fee rules for MySuper products as per the Treasurer's Guidelines for Stronger Super. In doing this, the Board recognises the need to provide value to members and the State. The Board's pricing review for 2017/18 resolved to reduce fees for the GESB Super, West State Super (WSS) and Retirement Income (RI) schemes in order to reduce scheme surpluses flowing into the AGR and more closely align with targeted reserves under GESB's Reserving Strategy.

GESB's fees are currently below industry medians. From October 2018 they were as follows:

- WSS default investment plan annual fees on an account balance of \$50,000: \$381 (versus industry median for MySuper of \$601)¹¹
- GESB Super default investment plan annual fees on an account balance of \$50,000: \$516 (versus industry median for MySuper of \$601)¹¹
- Retirement Income Pension Balanced investment plan annual fees on an account balance of \$200,000: \$1,420 (versus industry median of \$2,517)¹¹
- Annual fees for the RI-TAP Balanced investment plan annual fees on an account balance of \$200,000: \$1,760 (comparative of industry median not available)¹¹

GESB also currently applies 'user pays' fees for ROS appointments. This is in line with Stronger Super MySuper legislation that requires funds to ensure there is fair and equitable allocation of costs to members and cross subsidisation is minimised. ROS fees are based on cost recovery only and do not include any profit allocation. Excluding ROS fees, all transactions fees were removed in December 2018.

The applicable fees for 2019/20 are as follows:

Type of fee or cost	Amount
ROS	\$482

Annual pricing reviews ensure that members continue to benefit from any further cost reductions and fees remain aligned with appropriate cost recovery and reserving principles.

2.3. State and Commonwealth reform

We will continue working with the relevant State departments and agencies, within the State's policy framework and will ensure its compliance with Commonwealth legislation changes where practicable.

Improving Accountability and Member Outcomes in Superannuation Bill (September 2017) - Commonwealth

In September 2017 the Commonwealth Government introduced legislation that focused on improving accountability and member outcomes *Treasury Legislation Amendment (Improving Accountability and Member Outcomes in Superannuation) Bill 2017*. The legislation is currently progressing through parliament and contains amendments to the *SIS Act 1993*, the *Corporations Act 2001* and the *Financial Sector (Collection of Data) Act 2001*.

A major focus of the legislation is around strengthening the obligation on superannuation trustees to ensure their MySuper product offering and their choice products are appropriate for their fund's beneficiaries and on replacing the 'scale' test with a 'member outcomes' test. It also includes changes that increase accountability for trustee directors and enhance APRA's regulatory powers. This change in legislation, combined with the increasing level of negative net funds flow and slowing membership growth if passed will put continuing pressure on funds to merge, increasing consolidation of the industry.

¹¹ SuperRatings SMART database September 2018

Additionally, in December 2018, APRA released draft Prudential Standard SPS 515 Strategic Planning and Member Outcomes and Prudential Practice Guide SPG 516 Outcomes Assessment, which are aligned to the outcomes assessment in the legislation.

APRA's SPS 515 and SPG 516 require funds to annually assess the outcomes provided to beneficiaries (outcomes assessment) and determine if these outcomes can be improved in the future. Funds need to articulate what outcomes they are striving to achieve for their members annually and then strongly link these outcomes to their longer-term (3-5 year) strategic objectives.

Although GESB is not APRA regulated, we are subject to the majority of the MySuper requirements as outlined in the Treasurer's Guidelines for Stronger Super. We already have a requirement to provide the Treasurer with an annual assessment of scale for our MySuper products. The annual assessment process will be modified to meet the APRA Outcomes test requirements and we will incorporate this assessment into our strategic planning process.

Treasury Laws Amendment (Protecting Your Superannuation Package) 2018 - Commonwealth

In February 2019, the Commonwealth government introduced a suite of legislative changes that affect superannuation funds. This protecting your super package encompasses the majority of the changes and includes the following:

- prevents trustees of superannuation funds from charging certain fees and costs exceeding 3 per cent of the balance of a MySuper or choice product annually where the balance of the account is below \$6000
- prevents trustees from charging exit fees to close an account
- requires trustees to provide only opt in insurance to members with balances below \$6000 and members with inactive MySuper or choice accounts, unless a member has directed otherwise
- requires the transfer of all superannuation savings with a balance below \$6000 to the ATO if an account related to a MySuper or choice product has been inactive for a continuous period of 16 months

This legislation has significant impacts on GESB and its members with most changes coming into effect from 1 July 2019. GESB has formed a working group with stakeholders to assess and implement the changes required.

Insurance in Superannuation - Commonwealth

The Insurance in Superannuation Working Group (ISWG), was formed in November 2016 to enhance policy development and identify ways to improve the experiences of superannuation fund members in relation to insurance, released the final ISWG – Insurance in Superannuation Voluntary Code of Practice (Code) in November 2017.

GESB is using the Code as a best practice guide for management of members' insurance and we are implementing a number of recommendations from the Code, the majority aimed at increasing awareness of insurance through improved disclosure and in making it easier for members to make changes to their insurance cover.

If enacted, certain elements of the Code may end up in conflict with the legislative changes announced in the May 2018 Federal Budget.

We will be monitoring any insurance in superannuation related outcomes from the 2018 Budget announcements and the Royal Commission and will review the insurance provided to our members in relation to these outcomes.

Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (Royal Commission) - Commonwealth

The Royal Commission was established on 14 December 2017 to inquire into and report on misconduct in the banking, superannuation and financial services industry. A final report was released in February 2019. The Commission examined:

- the nature, extent and effect of misconduct by a financial services entity (including by its directors, officers or employees, or by anyone acting on its behalf)

- any conduct, practices, behaviour or business activity by a financial services entity that falls below community standards and expectations
- the use by a financial services entity of superannuation members' retirement savings for any purpose that does not meet community standards and expectations or is otherwise not in the best interest of members

During the hearing for superannuation and insurance several areas of concern emerged, Counsel Assisting the Commissioner highlighted the charging of fees for no service, decisions to maintain grandfathered trailing commissions, reluctance to move members into low cost MySuper products and high fee levels on some accounts as key examples of how trustees had failed superannuation members. Inaction from regulators APRA and ASIC was also highlighted.

GESB was outside the scope of the Royal Commission and the issues raised did not apply directly to GESB schemes and or our members.

In preparation for the hearings, GESB developed messaging to provide member-facing staff in the call centre and key account management teams the ability to respond to member queries related to the Royal Commission.

Member response was minimal with very few calls received. Those members who did call generally did so to consolidate their accounts into GESB as they felt reassured they could trust GESB as their superannuation provider.

The major recommendations from the Royal Commission with direct impact on superannuation include:

- a prohibition on trustees assuming obligations other than those arising as a consequence of its duties as a superannuation fund
- 'stapling' of individuals to a single default account
- a prohibition on deducting advice fees from MySuper accounts, and limits on deduction of advice fees from choice accounts
- civil penalty offences for breach of the trustees' and directors' covenants and certain obligations in relation to MySuper
- retention of the 'twin peaks' regulatory model, but adjustment of the roles of APRA and ASIC
- extension, 'over time' of the Banking Executives Accountability Regime (BEAR) to all APRA-regulated entities
- establishment of a compensation scheme of last resort

GESB is assessing the recommendations to determine their impacts.

Productivity Commission review and default models - Commonwealth

The Productivity Commission (Commission) draft report setting out recommendations regarding the competitiveness and efficiency of the superannuation system was released in May 2018. The report included the development of alternative model(s) for allocating default fund members to products and a review of the appropriateness of insurance inside superannuation.

The guiding principle for the assessment of the superannuation industry and any policy recommendations from the Commission that arise out of the inquiry is an overriding focus on outcomes for members.

Key proposed changes in the report include:

- reducing the role of employers in selection of a default fund, with default funds being selected by or for employees independent of the employer relationship. This might involve identification of 10 'best in show' default funds
- mandatory adoption of the Insurance in Superannuation Working Group (ISWG) code, including removing opt-out insurance for under 25 year olds and ceasing insurance on 13 consecutive months of inactivity
- enhanced dash board reporting
- tightened requirements for assessing skills and performance of trustees
- strengthening the outcomes test and APRA's ability to revoke MySuper authorisation

GESB will monitor any agreed outcomes from the Commission's report, to determine any impacts on its strategic direction. This is particularly important with respect to any agreed alternative default fund model.

Comprehensive income products for retirement (CIPR) - Commonwealth

As part of the May 2018 budget announcements, the Commonwealth Government has proposed introducing a retirement income covenant requiring superannuation trustees to formulate a retirement strategy. It will require trustees to offer a CIPR, however member take up is voluntary.

The Commonwealth released a position paper outlining the principles proposed in the covenant for consultation in May 2018.

It is proposed that the covenant require superannuation fund trustees develop a retirement income strategy that assists members to meet their retirement income objectives. When designing their retirement income strategy, trustees will need to consider factors such as:

- maximising a member's income for life
- the life span of members and the costs/benefits of managing longevity risk
- managing risks that impact income stability e.g. inflation
- providing members with access to capital
- the costs/benefits of developing an in-house CIPR
- member eligibility for the Age Pension
- the impact of cognitive decline on member outcomes

It is also proposed that trustees be required to provide tools to assist members navigate between retirement income products offered by the fund.

As part of the new covenant, trustees would be required to offer at least one CIPR to members at retirement, unless the trustee has information that a CIPR would be unsuitable for a person.

A CIPR should provide efficient and broadly constant income, manage longevity risk and provide some access to capital. Trustees may choose to develop a CIPR themselves or offer one that is provided by a third party.

The position paper also raises principles that may be added to the covenant in future, such as member engagement, managing legacy products and safe harbour provisions for loss or damage relating to the design or management of the CIPR.

It is proposed that the covenant apply to all superannuation funds except eligible rollover funds and certain defined benefit schemes.

The Government has delayed the implementation deadline so trustees must have a retirement income strategy in place from 1 July 2020 but are not required to offer CIPRs until 1 July 2022.

We will monitor the outcomes of the CIPR consultation and will work with the State to determine how the State balances its objectives with any decision by the Commonwealth in relation to the provision of CIPRs by superannuation funds.

Stronger Super – SuperStream - Commonwealth

GESB will continue to commit resources to ongoing SuperStream changes, in particular Australian Taxation Office (ATO) requirements around reporting.

From 1 July 2018, Single Touch Payroll has been in effect, which requires business reporting of tax and superannuation in a simplified format to the ATO. Reporting of superannuation contributions will be automatically sent to the ATO when payments are made to superannuation funds. We have a project underway to ensure that it can meet the Commonwealth's deadline.

Service Priority Review (SPR) - State

The 2017 SPR into the State's public sector aimed to initiate the substantial cultural change necessary to build a sustainable, responsive and high performing public sector and to drive lasting reform of service delivery, accountability and efficiency.

In 2019/20, GESB's small number (around 50 FTE) of highly skilled and experienced staff will continue to operate in a manner aligned to the SPR aims and recommendations, delivering value for money outcomes for members and the State efficiently and effectively.

Our mainly outsourced model means we focus on overseeing investment strategy, stakeholder management and the provision of superannuation services via outsourced service providers. Outsourcing our administration functions to Link means that we achieve desired fund administration outcomes and service standards via strong contract and relationship management, and by proactively project managing strategic initiatives in collaboration with Link. We also work collaboratively with and use the services of other public sector agencies.

GESB's structure and FTE numbers are not forecast to change materially over the next five years.

2.4. Efficient and effective operations

Provision of cost-effective products and services requires continuous improvement in operating efficiency combined with maintenance of economies of scale. In an industry that has experienced significant increases in costs over the past five years, GESB has managed to contain costs.

Management of key service provider contracts

Effective management of the major administration contract with Link is important to ensure GESB's objectives of 'value to members' and 'maintenance of service levels to members and employers' continue to be achieved. Governance and oversight structures have been established and resources allocated to ensure adherence to the Administration Services Agreement in place with Link.

During the 2018/19 financial year, GESB undertook a benchmarking exercise to inform renegotiation discussions with Link as the first five-year period of the contract expires on 30 June 2019. GESB has exercised the option to extend the Link contract for a further five-year period.

In addition to the administration contract with Link, GESB also has material contracts for master custody, asset consulting and insurance services, as well as other smaller outsourced contracts. Sound monitoring and management of all of contracts is undertaken to ensure GESB continues to operate efficiently and effectively for members and the State.

Administration efficiency

As in prior years, GESB will endeavour to continue to efficiently manage its costs and meet any efficiency savings required by the State Government.

Capital expenditure

Consideration was given to continuing legislative change and reform and the potential for significant expenditure on intangibles, including computer software development and licences. While fund administration is outsourced to Link, GESB has outsourced other functions to other entities including an Intranet, IT assets, external website and records management system. (GESB uses Department of Finance network and records management infrastructure and Squiz for our public website).

GESB expects to invest \$525k in capital programs during 2019/20. Capital expenditure is depreciated in accordance with accounting standards, reflected in administration expenses by scheme, and recovered through fees and charges. Capital expenditure is not funded from the Consolidated Account.

3. Performance targets

GESB's key result areas reflect our focus on providing net benefits to members, investment returns that meet or exceed investment objectives, low fees and increased member engagement with their superannuation. GESB is also focussed on providing ongoing assistance to employers to discharge their superannuation obligations.

GESB uses a balanced scorecard approach for performance measurement. The key indicators in this report measure value delivered to members and the quality of the services delivered. These include key effectiveness and efficiency performance indicators, as required by the *Financial Management Act 2006*.

The following measures and targets have been set for GESB's key result areas for 2019/20:

Key Indicators	Frequency	Unit	Objective (all periods)			
NET MEMBER BENEFITS - INVESTMENTS						
Gold State Super (Net of Fees and Tax) Return vs Primary Objective	Quarterly	#	achieve Average Weekly Earnings +2.5% pa over rolling five year periods			
GESB Super Default Plan (Net of Fees and Tax) Return vs Primary Objective	Quarterly	#	achieve CPI +3.0% pa over rolling seven year periods			
West State Default Plan (Net of Fees and Tax) Return vs Primary Objective	Quarterly	#	achieve CPI +3.0% pa over rolling seven year periods			
Retirement Inc Conservative Plan (Net of Fees and Tax) Return vs Primary Objective	Quarterly	#	achieve CPI +2.0% pa over rolling five year periods			
INVESTMENT PERFORMANCE						
Gold State Super (Net of Fees) Return vs Benchmark	Quarterly	#	exceed asset weighted benchmark return over rolling three year periods			
GESB Super Default Plan (Net of Fees) Return vs Benchmark	Quarterly	#	exceed asset weighted benchmark return over rolling three year periods			
West State Default Plan (Net of Fees) Return vs Benchmark	Quarterly	#	exceed asset weighted benchmark return over rolling three year periods			
Retirement Income Conservative Plan (Net of Fees) Return vs Benchmark	Quarterly	#	exceed asset weighted benchmark return over rolling three year periods			
			2019/20 Budget	2018/19 Budget	2018/19 Forecast	2017/18 Actuals
NET MEMBER BENEFITS - FEES						
WSS Default Plan Fee Quartile	Quarterly	#	Below Median ¹	Below Median ¹	Below Median ¹	Below Median
GESB Super Default Plan Fee Quartile	Quarterly	#	Below Median ¹	Below Median ¹	Below Median ¹	Below Median
FINANCIAL PERFORMANCE						
Funds Under Management	Monthly	\$bn	30.2	28.6	28.9	27.5
Net Funds Flow	Monthly	\$m	-186	290	100	555
Administration Expenses	Monthly	\$m	45.1	45.6	44.1	39.7
MER (excluding contribution to reserves)	Monthly	%	0.43	0.43	0.43	0.50
Cost to Asset Ratio	Monthly	%	0.40	0.41	0.41	0.52
MEMBER SERVICE AND ENGAGEMENT						
Member Satisfaction ²	Quarterly	%	80	80	80	85
EMPLOYER SERVICE AND ENGAGEMENT						
Employer Satisfaction ³	Annually	%	75	75	75	87
EFFICIENT OPERATIONS						
Administration Cost per Accumulation Account ⁴	Monthly	\$	146	129	130	110
Administration Cost per Defined Benefit Account ⁴	Monthly	\$	194	185	173	159
- Gold State cost per member	Monthly	\$	164	164	144	141
- Pension Scheme cost per member	Monthly	\$	365	305	337	265
ENGAGED PEOPLE						
Staff Satisfaction	Half Yearly	%	70	70	75	95
Unplanned Turnover	Monthly	%	<10	<10	<10	0

The 2019/20 Forecast was prepared in line with the Treasury mid-year review process in October 2018.

- 'Below median' fees targets GESB fees being lower than the median fee of all superannuation funds as reported by the SuperRatings Benchmark Report.
- Member Satisfaction is a survey performed by Research Solutions and is the percentage of surveyed members who are satisfied with the service provided by GESB (6 to 10 out of 10).
- Employer Satisfaction is a survey conducted annually by Research Solutions and is the percentage of surveyed employers satisfied with the service provided by GESB over the previous 12 months (6 to 10 out of 10). This target has been 75% since outsourcing with Link in July 2014, and is written into the Link Service Agreement as an abatable service standard.
- The Budget Administration Cost per Accumulation Account in 2019/20 of \$146 is based on total administration costs of \$34.4m and average account numbers of 235,200. The budgeted Administration Cost per Defined Benefit Account of \$194 is based on total administration costs of \$6.5m and average account numbers of 33,463. The cost per Defined Benefit Account will continue to increase as Administration costs remain stable whilst member numbers decrease.
- Key assumptions for 2019/20 budget:
 - Projections include assumptions relating to investment performance, salary increases and member behaviour. Any variations between these and actual performance could affect GESB's key result areas.
 - An investment return of 6.5% is applied for 2018/19 based on medium term (five year) projections taking into consideration advice from GESB's asset consultant, JANA Investment Advisers.
 - For the cost to asset ratio, costs include operating and investment management expenses.
 - Investment management costs include estimated external investment manager performance fees.
 - GESB schemes continue to be the default fund for most WA public sector employers.
 - GESB's FTE count remains stable over the forecasting period.

4. Financial forecasts

Financial Statements and Projections

Total FUM is expected to increase to \$30.1bn by 30 June 2020. FUM is reported in the financial statements as investments plus cash and cash equivalents.

Accounting Policies

GESB prepares its financial statements in accordance with Australian Accounting Standards, including AASB 1056 Superannuation Entities and other authoritative pronouncements of the AASB as applied by the Treasurer's Instructions (TI) and the SSA.

Borrowing Arrangements

On 30 May 2001, the Western Australian Treasury Corporation (WATC) and GESB entered into a \$635 million lending facility for a fixed-rate loan. The loan was established to enable the balances on WSS members' accounts at 1 July 2001 to be fully funded from an investment perspective. This funding was a prerequisite for GESB to introduce Member Investment Choice from 1 July 2001. The loan is unsecured and is repayable in quarterly instalments over 20 years with the loan repayments recouped from Consolidated Account Appropriation, shown in the table in section g of the Projected Financial Statements. It bears interest at a fixed rate of 6.5699% plus a government fee of 0.7% p.a. The interest payment for 2019/20 will be \$5.8m.

The projected outstanding balance at the end of each financial year is outlined below.

WATC Loan Schedule

	Repayments	Closing Bal.
2019/2020	58,619,565	55,803,516
2020/2021	55,803,516	0

WATC Loan Schedule by Quarter

	Repayments	Closing Bal.
2019/2020 - July 2019	14,679,003	95,256,135
2019/2020 - October 2019	14,663,109	82,325,541
2019/2020 - January 2020	14,646,945	69,175,905
2019/2020 - April 2020	14,630,508	55,803,516

Projected Financial Statements - GESB**a. Statement of Change in Net Assets****Statement of Change in Net Assets**

For the Financial Year Ending 30th June	Reforecast 2019 \$'000	Projected 2020 \$'000
Net Assets available to pay Benefits at the beginning of the Financial year	27,246,276	28,773,803
REVENUE		
Investment Revenue		
Realised Income	549,166	580,686
Realised changes in NMV of Investment assets	549,166	580,686
Unrealised changes in NMV of Investment assets	732,222	774,248
Income from Investments¹	1,830,555	1,935,619
Superannuation Revenue		
Contributions		
Member	849,155	825,535
Employer	1,453,714	1,417,021
Rollover into Retirement products	1,154,530	1,226,934
Inward Transfers	615,822	622,770
Member Insurance Benefits Received	50,310	51,694
Other Income	10,386	8,351
	4,133,917	4,152,305
TOTAL REVENUE	5,964,472	6,087,924
EXPENSES		
Superannuation Benefit Payments	4,023,548	4,330,358
Administration Expenses	41,558	42,319
Group Life Insurance Premiums	105,556	111,946
Investment Expenses	77,866	82,104
Changes in NMV of Financial Liabilities	-	-
Changes in NMV of Other Assets	288	288
Loan Interest	11,286	5,699
TOTAL EXPENSES	4,260,103	4,572,714
Changes in Net Assets Before Income Tax	1,704,370	1,515,210
Income Tax	- 176,842	- 189,509
Changes in Net Assets After Income Tax	1,527,527	1,325,701
Net Assets available to pay Benefits at the end of the Financial year	28,773,803	30,099,504

Notes to the Key Variances:

- The budgeted investment income figure for 2019/20 reflects a gross medium-term earnings rate of 6.5%.

b. Statement of Net Assets**Statement of Net Assets**

For the Financial Year Ending 30th June	Reforecast 2019 \$'000	Projected 2020 \$'000
Assets		
Cash and Cash Equivalents	11,151	11,138
Investments	28,927,343	30,202,028
Plant & Equipment	159	169
Intangible Assets	560	560
Receivables	17,367	17,715
Prepayments	811	827
Deferred Tax Assets	5,526	5,637
TOTAL ASSETS	28,962,917	30,238,073
Liabilities		
Contributions Paid in Advance	1,918	1,957
Unpaid and Accrued Liabilities	227	231
Payables	26,374	26,902
Provision for Employee Entitlements	1,210	1,234
Provision for Post Employment Liabilities	538	549
Interest Bearing Loans & Borrowings	107,971	55,804
Current Tax Liabilities	50,875	51,892
Deferred Tax Liabilities	-	-
TOTAL LIABILITIES	189,114	138,569
NET ASSETS AVAILABLE TO PAY BENEFITS	28,773,803	30,099,504

c. Statement of Net Assets by Scheme**Net Assets by Scheme**

For the Financial Year Ending 30th June	Reforecast 2019 \$'000	Projected 2020 \$'000
Defined Benefit Schemes (Gold State and Pension Scheme)	2,901,417	3,029,499
West State Scheme	15,940,947	16,644,651
GESB Super	4,537,414	4,737,715
Retirement Income - Allocated Pension	5,247,827	5,479,490
Retirement Income - Term Allocated Pension	18,045	18,841
Reserves	236,125	245,111
WATC Loan	- 107,971	- 55,804
TOTAL ASSETS	28,773,803	30,099,504

d. Statement of Administration Expenses**Statement of Administration Expenses**

For the Financial Year Ending 30th June	Reforecast	Projected
	2019	2020
	\$'000	\$'000
Outsourced Administration	25,585	25,593
Employment Expenses	7,557	8,438
IT Services	1,237	1,284
Consultants	148	150
Accommodation	560	587
Professional Fees	1,438	1,411
Print Post & Records Management	97	100
Product Information & Engagement	88	91
Other	3,660	3,684
Reserves Appropriations	3,436	3,500
Less : Allocation to Investment Expenses	- 2,190 -	2,518
TOTAL NET ADMINISTRATION EXPENSES	41,617	42,319

Notes to Administration Expenses

The Administration Expense budget for 2019/20 increases slightly from the 2018/19 reforecast to allow for standard market price increases.

e. Capital Expenditure**Capital Expenditure**

For the Financial Year Ending 30th June	Reforecast	Projected
	2019	2020
	\$'000	\$'000
Intangibles Inc Computer Software Development	500	500
Office Furniture, Equipment & Renovations	25	25
TOTAL CAPITAL EXPENDITURE	525	525

f. Cost Allocations

Total budgeted Cost Allocations for 2019/20 are \$44,091k. These include Administration Expenses of \$45,125k and User Pays Income of \$1,034k.

Cost Allocations

For the Financial Year Ending 30th June	Reforecast	Projected
	2019	2020
	\$'000	\$'000
Gold State	4,466	4,682
Pension Scheme	1,831	1,816
West State Super	14,428	15,705
GESB Super	12,288	13,559
Retirement Income - Allocated Pension	4,573	5,043
Retirement Income - Term Allocated Pension	103	102
Parliamentary & Judges	480	479
Government Services	185	187
Investment Expenses	2,190	2,518
TOTAL COST ALLOCATIONS	40,544	44,091

The Statement of Administration Expenses (table d above) differs from the Cost Allocations as it excludes Investment Expenses of \$2.5m and Depreciation of \$288k, while also excluding revenue of \$1,034k.

g. Consolidated Account Appropriation

The following table details GESB's costs to fund the State share of payments from the defined benefit schemes, Government Services and defined benefit administration, which are recouped by Consolidated Account Appropriation.

Government Services Recoup

For the Financial Year Ending 30th June	Reforecast	Projected
	2019	2020
	\$'000	\$'000
Benefit Payments		
Gold State	392,227	371,084
Pension Scheme	173,926	165,479
Parliamentary Pension Scheme	9,077	9,207
Judges Pension Scheme	16,645	17,669
Total Recoup of Benefit Payments	591,874	563,439
Administration Expenses		
Gold State	4,466	4,682
Pension Scheme	1,831	1,816
Parliamentary Pension Scheme	259	259
Judges Pension Scheme	221	220
Government Services	185	187
Total Recoup of Administration Expenses	6,963	7,164
West State WATC Loan Repayments	58,870	58,620
Total Consolidated Account Recoup	657,707	629,222

Notes to the Key Variances:

The budgeted cost allocations for GSS, Parliamentary and Judges and Pension Schemes are primarily based on the charges levied by the third party administrator.

h. Accumulation Scheme Surplus / (Deficit)

Accumulation Scheme Surplus / (Deficit)		
For the Financial Year Ending 30th June	Reforecast 2019 \$'000	Projected 2020 \$'000
West State Super		
Revenues	59,505	58,775
Expenses	58,140	60,720
Total Scheme Surplus/(Deficit)	1,365	1,945
GESB Super		
Revenues	28,369	30,125
Expenses	24,182	27,183
Total Scheme Surplus/(Deficit)	4,187	2,942
Retirement Allocated Pension		
Revenues	20,693	22,520
Expenses	18,643	20,379
Total Scheme Surplus/(Deficit)	2,050	2,141
Retirement Term Allocated Pension		
Revenues	104	98
Expenses	155	151
Total Scheme Surplus/(Deficit)	- 51	53
TOTAL ADMINISTRATION SCHEME SURPLUS / (DEFICIT)	7,551	3,084

5. Risk management

GESB has developed its Risk Management Strategy (RMS) to facilitate management of all risks that may adversely impact members, staff, assets, operations, and outsourced service providers. The RMS meets the requirements of subsection 52 (8) of the *Superannuation Industry (Supervision) Act 1993* and the *Australian Risk Management Standard AS/NZS ISO 31000:2009*.

- GESB has a strong risk management and compliance culture that ensures the protection of fund assets, and information
- GESB views Risk Management is an important element of good corporate governance.
- Risk management embeds a process of forward thinking and proactive management in the organisation. It is incorporated into the strategic planning process and is dynamic and responsive
- Risk management is an integral part of all GESB processes and included in the responsibilities of the Board and all GESB management and all staff are engaged in the identification, assessment, and control of risks

The Board completes a review of the material risks in the first quarter of every year and approves the material risks for the coming financial year. These material risks contemplate the risk environment of GESB and are taken into consideration in the development of the SCI and SDP for the corresponding year. GESB's Risk Environment captures the internal and external issues and events that have the potential to influence GESB's material risks. The areas having the most influence on GESB's environment are:

- State Government policy
- Material outsource providers
- Key persons, leadership or capacity
- Governance
- Investment and investment operations
- Fraud and cyber fraud (including outsourced providers)
- Key stakeholder relationships
- Commonwealth Government reforms
- Acting in members' best interests through delivery of appropriate products, services and engagements
- Any potential disruptors to GESB's operations

GESB's material risks are:

- 1 Loss of leadership and key staff adversely impacting capacity and capability
- 2 Failure to deliver sound long term investment returns that meet or exceed objectives
- 3 Failure to achieve satisfactory outcomes in relation to material outsource providers
 - Insurance
 - Outsourced Administrator
 - Custodian
 - Asset Consultant
- 4 Failure to maintain constructive stakeholder relations
- 5 Material operational risk event
- 6 Failure to maintain alignment between government policy and GESB's strategic direction
- 7 Financial crimes against the State or GESB

GESB's current risk environment is stable. Although the material risk, 'Financial crimes against the State or GESB' has a high residual risk rating due to the impact of cyber risk, it is considered to be within the Board's risk appetite, as are all other material risks.

Material risks will continue to be reviewed at least quarterly with reporting to the Executive Management Group (EMG), Audit and Risk Committee and Board and appropriate treatments being implemented. The EMG is continuously monitoring the key areas that can influence GESB's risk environment.

Appendix

Schemes profile

Under the SSA, GESB is responsible for the administration of seven schemes:

Pension Scheme and Provident Schemes - these were the Government's original superannuation schemes and have been closed to new members since 1986. They provide a salary linked unit based lifetime pension for retiring members. These schemes are untaxed schemes.

Gold State Super (GSS) - a defined benefit, lump sum superannuation scheme that has been closed to new members since 1995. This scheme is an untaxed scheme.

West State Super (WSS) - a market linked accumulation scheme established to comply with the provisions of the *Commonwealth's Superannuation Guarantee (Administration) Act 1992*. Within the scheme there are certain members entitled to a Minimum Benefit Guarantee amount. These members are classified as having a defined benefit interest. It has been closed to new members since April 2007. This scheme is an untaxed scheme.

GESB Super - a market linked taxed accumulation scheme that also includes GESB Super-Retirement Access¹². GESB Super is open to new employees of the State Government and is currently the default scheme for employers using GESB as their default superannuation fund.

Retirement Income Pension - an allocated pension that enables retired or retiring members to keep their funds with GESB in a concessional taxed environment, while receiving flexible periodic payments. This scheme includes a Transition to Retirement (TTR) sub-class, which has taxation on earnings applied.

Retirement Income Term Allocated Pension - a market linked income stream similar to an allocated pension but with restricted redemption options and qualifies as a complying pension for tax and social security purposes. It has been closed to new members since September 2007.

The taxation treatment of the GESB Super, Retirement Income Pension and Retirement Income Term Allocated Pension schemes is similar to APRA regulated funds.

The following table provides information on the FUM and member numbers for each scheme, including the change from the 2016/17 financial year to the 2017/18 financial year.

GES Fund	Units	Jun-18	Jun-17	% Change
Funds under Management (including reserves)	\$bn	27.5	25	10%
Gold State Super & Pension Scheme	\$bn	2.9	2.9	0%
West State Super	\$bn	15.3	14.2	8%
GESB Super	\$bn	4.0	3.4	18%
Retirement Income	\$bn	4.8	4.3	12%
Reserves	\$m	219.8	209.7	5%
Total members	#	254,975	277,967	-8%
Member accounts	#	284,374	309,395	-8%

¹² Retirement Access was a taxed accumulation scheme for retired members set up to enable them to make lump sum withdrawals. It closed to new members in 2008 and all members were transferred into GESB Super.

GES Fund	Units	Jun-18	Jun-17	% Change
Gold State Super accounts (closed to new members)	#	32,730	34,745	-6%
Current accounts	#	8,191	9,354	-12%
Deferred accounts	#	24,539	25,391	-3%
West State Super accounts	#	126,035	142,096	-11%
Active accounts	#	79,711	84,219	-5%
Inactive accounts	#	46,324	57,877	-20%
GESB Super accounts	#	105,713	113,345	-7%
Active accounts	#	88,526	87,576	1%
Inactive accounts	#	17,187	25,769	-33%
Retirement Income accounts	#	14,272	13,194	8%
Pension accounts	#	14,136	13,054	8%
Term Allocated Pension accounts	#	136	140	-3%
Pension Scheme	#	5,624	6,015	-7%
Recipients	#	5,575	5,951	-6%
Contributors	#	49	64	-23%

GESB also administers the Parliamentary Pension Scheme (PPS) (which has 4 contributing members and 118 pensioners as at 30 June 2018) and Judges' Pension Scheme (JPS) (50 active members and 71 pensioners as at 30 June 2018) on behalf of the Parliamentary Superannuation Board and the Department of Treasury, respectively. These schemes are wholly unfunded and do not form part of the GES Fund.