



Statement of Corporate Intent 2023/24

Government Employees Superannuation Board
May 2023

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Executive summary

This is the Government Employees Superannuation Board's (GESB's) Statement of Corporate Intent for the 2023/24 financial year. It includes an overview of GESB and its operating environment, key priorities, performance targets and financial forecasts for 2023/24.

As at 30 June 2022, GESB had funds under management (FUM) of \$33.2 billion (bn) with more than 270,000 member accounts for over 246,000 current and former public sector workers.

Our purpose is *'to help members achieve a quality retirement'* and our vision is *'to be the fund of choice for current and former WA public sector employees'*. Our mission is *'to responsibly manage members' retirement savings, achieve long-term investment objectives and provide relevant support so members can make informed decisions'*.

Our purpose, vision, mission, strategic objectives and priorities are determined within the context of our enabling legislation and the Heads of Government Agreement (HoGA) between the State of Western Australia (WA) and the Commonwealth. They are also aligned with the WA Government's Outcomes Based Management (OBM) framework¹ and incorporate Australian Prudential Regulation Authority (APRA) requirements for strategic planning and member outcomes².

We remain committed to continuing to provide high quality, value for money superannuation and retirement products and services that meet our members', employers' and the State's needs.

In 2023/24 we will be focusing resources on addressing the following strategic priorities:

- Implementing relevant Commonwealth Government legislative changes (consistent with the HoGA), in particular Your Future, Your Super (YFYS), Protecting Your Super (PYS) and the Retirement Income Covenant (Covenant)
- Investment performance that meets our objectives
- Better practice management of Environmental, Social and Governance (ESG) risks and opportunities, including those associated with climate change
- Continuing to focus on digital strategies to service and engage members and improve the member experience
- Ensuring member outcomes and service standards remain well positioned in comparison to the leading Australian superannuation funds
- Continuing to provide insurance members can rely on, with premiums that don't inappropriately erode member account balances
- Increasing our engagement with employers to assist them in effectively and efficiently fulfilling their superannuation obligations
- Ensuring members and WA public sector employees receive timely, high-quality information on GESB's products and services, including when they commence employment and as they approach retirement
- Ensuring our key service providers are strategically aligned with GESB's objectives and are delivering value for money services
- Ongoing monitoring, identification and mitigation of cyber security and financial fraud risks
- Retaining high-quality people and maintaining a strong, risk-aware and high-performing culture

Our financial forecasts for 2023/24 show projected fund flows, 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 WA Government Outcome based management guidelines 2017

² Prudential Standard SPS515 – Strategic Planning and Member Outcomes, APRA, August 2019

1. GESB overview

GESB is a statutory authority, responsible for administering the superannuation schemes established and continued under the *State Superannuation Act 2000* (SSA), in addition to a number of other defined benefit schemes on behalf of the State. The responsible Minister for GESB is the Treasurer of WA (the Treasurer).

The superannuation schemes administered by GESB are Exempt Public Sector Superannuation Schemes (EPSSS). EPSSSs are deemed to be complying superannuation funds for the purposes of Commonwealth superannuation and taxation legislation. However, the schemes are not directly subject to the *Superannuation Industry (Supervision) Act 1993* (SIS Act), nor is GESB subject to APRA supervision.

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

- The SSA and the *State Superannuation Regulations 2001* (SSR)
- Treasurer's Guidelines issued pursuant to the SSA
- The HoGA between the State of WA and the Commonwealth

1.1. Our corporate responsibilities, purpose, vision and mission

Operating under the SSA regulatory framework, we manage the GES Fund and deliver cost-effective and trusted³ products (including insurance) and services to members, employers and the State.

We manage superannuation accounts for over 246,000 current and former WA public sector employees. As at 30 June 2022, we manage an investment portfolio of \$33.2bn of which 92% (\$30.4bn) is managed for members in market-linked schemes where members bear the investment risk, and \$2.8bn is managed for the State to support its defined benefit liabilities.

We administer the schemes established under the SSA 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 (the Board) formulates and gives effect to an investment strategy for the fund to achieve prudent diversification and deliver returns that meet investment objectives. Our investment framework operates in accordance with Prudential Guidelines for Investments issued by the Treasurer.

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.

Our purpose, vision, mission and strategic objectives are determined within the context of our enabling legislation and the HoGA between the State of WA and the Commonwealth. They reflect State and Commonwealth policy objectives and GESB's statutory obligation to act, as far as practicable, in the best interests of members. They are aligned with the WA Government's OBM framework and contribute to the government goal of sustainable finances (responsible financial management and better service delivery)⁴ and will align with State Government policy and reforms where relevant.

Our purpose	To help members achieve a quality retirement
Our vision	To be the fund of choice for current and former WA public sector employees
Our mission	To responsibly manage members' retirement savings, achieve long-term investment objectives and provide relevant support so members can make informed decisions

³ Member satisfaction survey, Research Solutions, 2021/22

⁴ Department of Treasury, Government of WA; Outcomes Based Management; Guidelines for use in the WA Public Sector 2017

1.2. Objectives and member outcomes

Our strategy is aligned with the Commonwealth requirements regarding member outcomes⁵.

The Board determines the targeted member outcomes and approves strategic objectives that support achieving these outcomes, as well as the sound and prudent management of business operations.

We are currently conducting a review of our member outcomes framework, targeted member outcomes and associated measures to ensure they remain appropriate and aligned with regulatory requirements.

Strategic objectives	Description	GESB member outcomes
1. Financial outcomes for our members	Financial outcomes for members through low fees and delivery of returns that meet investment objectives	Investment returns that meet investment objectives
		Our fees are in the lowest fee quartile of APRA regulated funds and are competitive against our peer funds
2. Member experience	A positive experience for our members when they engage with GESB	Members are satisfied when interacting with GESB
	Give primacy to our members' perspective and be their advocate for appropriate outcomes	Members and their representatives are treated fairly and with respect in a timely manner and with due regard for their circumstances and the complexity of issues
	Products that meet members' needs	Our membership is satisfied with the financial products offered by GESB
3. Efficient and effective operations	Value for money products and services that meet members' needs	Value for money products and services that meet members' needs
	Insurance members can rely on	Appropriate insurance cover that does not inappropriately erode members' superannuation balances
		Flexible, easy to use, value for money insurance products that members can rely on
	Sufficient scale to support continued achievement of member outcomes	Value for money products and services
	Supporting employers in meeting their superannuation obligations efficiently and effectively	Members are confident their contributions will be paid in a timely manner and benefit payments are accurate
4. Positive culture and stakeholders	A positive and supportive organisational culture underpinned by strong values	Staff are motivated and engaged to deliver member outcomes and members' assets are safe-guarded and protected responsibly
	Highly regarded by stakeholders	Stakeholders value the role of GESB and support initiatives to deliver member outcomes

⁵Treasury Laws Amendment (Improving Accountability and Member Outcomes in Superannuation Measures No. 1) Bill 2019, April 2019

1.3. Business performance and member outcomes assessment

Aligned with the Commonwealth's accountability and member outcomes measures, the Board conducts an annual business performance review (BPR) and member outcomes assessment (MOA). The BPR assesses our performance against our strategic objectives across our business operations and the MOA assesses whether our members' financial interests are being promoted in the product they hold. Key performance areas include investment performance, fees, services and benefits, insurance cost and product design. The findings of these reports are used as the basis for taking action to improve our member outcomes.

The 2022 BPR and MOA confirmed we achieved our targeted member outcomes for most measures in 2021/22. A summary of the annual MOA was published on the GESB website in March 2023.

Performance against our strategic objectives is reported in the Quarterly Performance Report to the Treasurer.

1.4. Achievements 2021/22

Overall, we continue to perform well and are valued by members and employers:

- GESB was again recognised as a Top 20 'Best Practice' agency by the Office of the Auditor General for the 2021/22 financial year⁶
- Member satisfaction with the service remained extremely high over the 2021/22 financial year at 91%, with 82% of surveyed members scoring GESB 8 to 10 out of 10⁷
- Employer satisfaction with the service provided by GESB for 2021/22 remained extremely high at 96%, with 86% rating their satisfaction as 8 to 10 out of 10⁸
- Staff satisfaction remained strong at 84%⁹

The following initiatives were successfully implemented during 2021 and 2022:

ESG commitment

The Board committed to transition the investment portfolio to net zero carbon emissions by 2050, including an interim target to reduce carbon emissions of the listed equity portfolio by 45% by 2030 and net zero carbon emissions for our unlisted property portfolio by 2040.

Reconciliation Action Plan (RAP)

Within our RAP, we focused on improving outcomes for Aboriginal and Torres Strait Islander peoples, building our external reconciliation network and increasing staff cultural capabilities. This included participating in the Jawun secondment program in the West Kimberley, joining Reconciliation WA's Finance Working Group alongside Westpac, Perpetual Limited and Keystart, and holding events and activities to educate staff about Aboriginal language and culture.

Financial hardship and compassionate payment requests

To streamline financial hardship and compassionate grounds early release applications, we implemented a new compassionate release application pack aimed at simplifying the process for members to allow them to make quicker claims.

Employer data integrity

We worked closely with Link Group (Link), our administration service provider, and State government agencies to implement the employer data integrity project. The project improved the integrity of the data provided by employers by strengthening validations, errors and warnings within our employer software, ePass to ensure correct member details are provided by employers, reduce the number of duplicate accounts, facilitate timely insurance creation and improve the accuracy of information for Gold State Super (GSS) accounts.

⁶ Office of the Auditor General, Report 12: 2022/23, Financial Audit Results – State Government 2021-22

⁷ GESB Member Services Satisfaction Research, Research Solutions, 2021/22

⁸ GESB Employer Services Satisfaction Research, Research Solutions, 2021/22

⁹ GESB Employee Satisfaction Survey, Research Solutions, April 2022

Binding death nominations (BDNs)

Regulations providing for GESB to accept BDNs were made in 2020/21. GESB implemented non-lapsing nominations in October 2021 and lapsing nominations in late 2022. As at January 2023, over 4,000 members have submitted a BDN.

Enhancing insurance

We negotiated reductions in premium rates for our Death and Total and Permanent Disability (TPD) insurance and improved features for our Salary Continuance Insurance (SCI) with our Insurer, AIA Australia. The final two-year extension of the existing insurance contract to 30 June 2025 was exercised, which included guaranteeing the reduced premium rates until that date.

We also negotiated a number of enhancements to the insurance we provide our GESB Super and West State Super (WSS) members, including extending the age that members can be insured for SCI and TPD insurance to age 67 years, to align with Age Pension age.

Secure Members Online (MOL) portal rebuild

We launched our new MOL portal in November 2022. The new portal provides greater security and significantly enhances our online member experience. The MOL portal is key to achieving our objective of delivering a positive and efficient member experience through digital channels.

Our people and culture

We introduced staff training in a range of areas to develop a flexible, safe and productive workforce, including:

- ethical decision making
- unconscious bias
- accessibility and inclusion
- leadership training for the Executive Management Group and senior managers

Risk and compliance

We have continued to embed a risk and compliance culture within GESB, implementing a new incident management program, improved control assessment, new risk registers and more risk assessments. Online training was also provided to give staff a better understanding of how to identify, prevent and report cyber fraud, money laundering and terrorism financing.

2. Our strategy - 2023/24

In 2023/24, we 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 consistently deliver quality, competitive outcomes for members. We will continue to build our digital capability to improve efficiency and meet the evolving needs and expectations of members and employers.

We will seek to ensure that we are a trusted provider of superannuation products and services to WA public sector employees and a high-quality advisor to the State in relation to superannuation policy.

2.1. Key strategic themes

Our strategic themes are reviewed annually by the Board following assessment of industry trends, legislative changes in our operating environment and GESB's forecasts.

Key strategic themes	
Member outcomes	<p>Ensuring we deliver identified member outcomes is critical, including:</p> <ul style="list-style-type: none"> - member services that meet members' continuously evolving expectations including transitioning to digital channels - treating members fairly and with respect regardless of channel or reason for engagement - supporting members who are approaching or are in retirement to make informed decisions that optimise their income, manage risks and have flexible access to funds
Investments	<p>Ensuring our investment performance meets objectives and is competitive with our peer funds</p> <p>Continuing to develop our ESG policy and consideration of an enhanced ESG investment option, maintaining focus on members' best financial interests in all our operations</p>
Culture and governance	<p>People and culture: Maintaining a supportive, positive, well-resourced and high-performing culture is critical to delivering our business objectives and member outcomes</p> <p>Third party providers: Strong contract management and cultural alignment with our third-party providers is critical to ensure high quality services are maintained and we continue to deliver value for money to members</p> <p>Data and technology: Maintaining current focus on monitoring and mitigating risks around data security and cyber fraud</p>
Legislation/regulation	<p>Implementation of our response to the YFYS, Covenant and PYS reforms and other legislative changes to ensure we can continue to deliver competitive outcomes to our members sustainably into the future</p>

2.2. Summary of strategic initiatives

Objective 1: Financial outcomes for members

1.1. Financial outcomes for members through low fees and delivery of returns that meet investment objectives

1.1.1. Investment returns that meet objectives

- **Strategic asset allocation (SAA)**

The main determinant of investment performance for each investment option is its SAA – the long-term allocation of assets between major asset classes such as equities, bonds, cash, property. This allocation has the major impact on the risk and return profile of each investment option within the fund. SAAs are reviewed on an annual basis.

- **Asset class review**

Regular reviews of each asset class are undertaken, taking into account the appropriateness of the asset class composition, the spread of the risk in the portfolio and the distribution of risk across investment managers and strategies.

- **ESG policy**

ESG factors present both risks and opportunities that can impact long-term risk-adjusted returns. It is important to understand material ESG risks and opportunities and manage these as part of our investment process. We have integrated ESG management throughout our investment process, including consideration of climate-related risks, in formulating our investment strategy and asset class structures.

The Board has committed to transition our investment portfolio to net zero carbon emissions by 2050, including commitments to a 45% reduction in the carbon intensity of our listed equity portfolio by 2030, and net zero carbon emissions for our unlisted property portfolio by 2040. A range of additional ESG initiatives are being progressed, including an ESG-focused investment option offering enhanced ESG criteria and accelerated carbon reduction targets. Communication strategies on our range of ESG initiatives will ensure our members are well informed on both our core, integrated ESG credentials and the enhanced investment option (when available).

1.1.2. Investment risk management system

We have implemented an investment risk management system to assist with the identification, measurement, monitoring and management of investment risks. The key objectives of the system include to better understand the level and composition of key risks within each investment option.

1.1.3. Our fees are in the lowest fee quartile of APRA regulated funds and are competitive against our benchmark funds

- **Pricing reviews**

Pricing for our market-linked superannuation and retirement schemes is determined by the Board based on annual reviews of each scheme's financial position. The aim is to ensure that the level of fees and charges meets our pricing principles.

GESB's fees are currently below industry medians. As at February 2023 they were:

Plan	GESB fee	Industry median ¹⁰
WSS default plan (\$50,000 balance)	\$291	\$485
GESB Super default plan (\$50,000 balance)	\$381	\$485
Retirement Income Allocated Pension (\$250,000 balance)	\$1,350	\$2,596
Retirement Income Term Allocated Pension (\$200,000 balance)	\$1,740	N/A

¹⁰ SuperRatings SMART database, February 2023

Objective 2: Member experience

2.1. A positive experience for members when they engage with GESB

2.1.1. Services to members

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 are serviced in an efficient, timely and informed manner.

We provide a range of member information and support services, for example the GESB website and the MOL secure portal, Insurance Claims Consultants (ICC), Member Services Centre (MSC), Live online chat, Retirement Options Service (ROS), seminars and webinars. As the MSC, ROS, and ICC services are provided by Link, service standards and measures have been put in place to ensure the level of service provided remains high.

- **Service level improvements**

Member expectations regarding responsiveness to requests are increasing. To meet rising member expectations and ensure we are competitive with respect to services provided across the superannuation industry, we are reviewing processing times for benefit payments. Our aim is to reduce the service standard from ten to five days initially, and then to three days dependent upon the changes to IT systems. We are also investigating a cheque replacement solution which will positively impact benefit processing times and reviewing the suite of seminar and webinar presentations to ensure they continue to meet members' needs.

2.1.2 Member engagement

We will continue to encourage members to engage with their superannuation and make informed choices through targeted, timely and relevant communications that are aligned with superannuation related information needs including: insurance; choosing a fund; choosing an investment plan; contributing to super; and retirement.

- **Member journeys**

We are developing strategies to support achievement of a quality retirement, including mapping the member journey from commencing employment to end of life, to understand and address members' wants, needs and objectives through each stage. This includes increasing our members' knowledge and ability to manage their superannuation effectively at all stages of life, utilising interactive media, tools and calculators to build member engagement, and making it as simple as possible for them to take informed action. We are beginning with the retirement stage, to identify improvements and deliver a positive retirement experience for all members.

We are also making improvements to the new member journey, including new initiatives to engage with members at commencement of recruitment/employment and within their first year of joining the fund. Improvements include a digital-first approach, an introductory email, improved insurance communication and an improved welcome to GESB landing page with additional educational videos.

We will also be introducing campaigns to educate and engage with new members at different points on their journey. This will include campaigns on consolidating super accounts, making co-contributions and salary sacrifice contributions.

- **Understanding our members**

We continue to assess the expectations and experience that different cohorts of our members have with us to identify service enhancements and help position us as the fund of choice for new and retiring WA public sector employees. To inform our positioning strategy and identify gaps and service improvement opportunities we analyse member feedback from a variety of sources including market research, complaints and 'Contact us' feedback.

- **Retirement income strategy**

Consistent with the Covenant legislative requirements, we will implement a retirement income strategy to help our members who are approaching or are in retirement make informed decisions, optimise their income, manage expected risks, have flexible access to their funds, and provide them with retirement products and services that meet their needs. Our retirement income strategy

will include research to better understand our members and we will develop cohorts to guide the provision of tailored support to meet the needs of different cohorts.

2.1.3 Digital engagement

A key strategic focus is increasing our use of technology to better engage with and service our members. We will continue to improve our digital channel as an effective self-service tool to build member awareness and engagement with their superannuation and increase the ease and efficiency of member interactions with GESB.

Our vision is to have digital as the main channel members use to support their information needs, allowing them to transact and interact easily with GESB to improve their long-term superannuation outcomes.

We currently issue member statements, statement summaries and annual fund information electronically by default, and provide members with information, forms, webinars and online tools such as calculators and videos as part of our digital strategy.

In 2022 we launched a new MOL portal to be the central access point used by members for information, transactions and communication. The MOL portal is key to achieving our objective of delivering a positive and efficient member experience through digital channels.

- **MOL enhancements**

The new MOL system will be continually enhanced to further our digital engagement strategy. The initial enhancements include functionality for joining our Retirement Income (RI) Allocated Pension online, managing RI payments online and applying for benefit payments online. We will also be implementing online form capability, automated eCommunication and more personalised information within MOL.

- **eCommunication and online message centre**

We will be transitioning additional member communications to the digital channel to improve member experience and increase efficiencies, beginning with the process for acknowledgement of receipt of member contributions. This program of work includes an online message centre in the MOL portal.

2.2. Give primacy to our members' perspective and be their advocate for appropriate outcomes

Our continuing focus is on improving support and services for members when they are in a vulnerable position, for example when accessing their superannuation on financial hardship and compassionate grounds. We are also committed to ensuring all our information and content is accessible to all members and are building this requirement into all initiatives.

- **Complaints**

Although we receive low numbers of complaints, complaints are a key source of information regarding members' experience with GESB. To understand emerging trends and drivers of complaints we implemented a comprehensive complaints management system in 2021 and are refining the reporting capability of the system to provide enhanced information insights.

- **Aboriginal and Torres Strait Islander members**

Our vision for reconciliation is to engage with Aboriginal and Torres Strait Islander peoples in ways that will meet their needs and help to improve superannuation outcomes. We recognise that Aboriginal and Torres Strait Islander peoples, including our members, often face unique challenges accessing and understanding the superannuation system. These challenges can include not having common forms of identification, having limited or no access to technology, and a lack of awareness of superannuation entitlements.

The focus of our third RAP is to work together with Aboriginal and Torres Strait Islander stakeholders to create tangible outcomes in our workplace, our community, our communications and the services we provide.

As part of our RAP, we will continue to promote reconciliation by:

- adapting our processes and procedures to better meet the needs of Aboriginal and Torres Strait Islander peoples
- helping Aboriginal and Torres Strait Islander members better understand, engage and access their super
- increasing employment opportunities for Aboriginal and Torres Strait Islander peoples
- raising staff awareness of the histories and cultures of Aboriginal and Torres Strait Islander peoples
- working towards a culturally inclusive workplace through staff cultural capability programs and activities

We have also formed a partnership with the Financial Counsellors' Association of WA, which helps Aboriginal and Torres Strait Islander peoples and others who are experiencing financial difficulty. This partnership helps us understand the issues these members or their representatives face when they interact with us and how we can improve the experience.

- **Diversity and inclusion**

We are committed to providing services to the diverse community of WA, including people with disabilities, Aboriginal and Torres Strait Islander peoples, and culturally and linguistically diverse (CALD) people in a fair and non-discriminatory manner. Our Workforce and Diversity Plan has been developed to align with and support the achievement of our strategic objectives.

GESB recognises the role we all play in promoting a more inclusive community. Our Disability Access and Inclusion Plan (DAIP) 2023-2028 considers the diverse needs of our members, staff and other stakeholders and shows our commitment to ensuring that our services, facilities and information are accessible and inclusive of people with disability, our aging population, and their families and carers. Initiatives identified in these plans will be implemented throughout the reporting period, including providing a regular update to the Board and key stakeholders on our progress in delivering on key outcomes.

- **Multicultural Access Plan (MAP)**

Our MAP 2020-2023 was developed to provide a framework to support our commitment to multicultural access and inclusion in the way we work and in the outcomes we deliver in line with our purpose and values. An important part of this is ensuring we can engage and communicate effectively with CALD people. Initiatives identified in this plan will be implemented throughout the reporting period. GESB has reviewed and updated its recruitment process to ensure it provides opportunities for CALD people to apply. GESB has also increased its visibility by engaging with external community associations via the Office of Multicultural Interests.

- **Integration of workforce, diversity and inclusion plans**

GESB's Workforce and Diversity Plan, RAP, DAIP and MAP will be integrated into business wide decision-making processes and measured across the business to continue to make impactful change and support our commitment to diversity and inclusion in the way we work and in the outcomes we deliver for members in line with our purpose and values.

2.3. Products that meet members' needs

Our membership is satisfied with the products offered by GESB

In line with our purpose to help our members achieve a quality retirement, we focus on providing high quality, value for money default products and services. We monitor product performance and strategy to ensure we continue to meet member needs and are aligned with Commonwealth retirement income policy.

GESB's default investment plans are aligned with the requirements of the Treasurer's Guidelines for GESB Compliance with Stronger Super, which are due to be updated to reflect the Commonwealth's Improving Accountability and Member Outcomes legislative changes. The annual member outcomes assessment replaced the scale assessment from 2020/21 as part of these member outcomes legislative changes.

- **ESG investment option**

Introduction of an enhanced ESG investment choice option is being progressed.

- **Retirement income products**

We will be conducting a review of our retirement income product offerings as part of our response to the Covenant legislative requirements and our retirement income strategy.

Objective 3: Efficient and effective operations

3.1. Value for money products and services that meet members' needs

Provision of cost-effective products and services requires operating efficiency, combined with economies of scale. A key focus for GESB is to continue to provide 'value for money' to members and the State Government through a disciplined approach to operating costs.

3.1.1. Management of key services provider contracts

Effective management of the administration contract with Link is important to ensure GESB's objectives of ensuring 'value to members' and 'maintenance of service levels to members and employers' continue to be realised. Review of this contract has commenced as it is due to expire on 30 June 2024.

In addition to the administration contract with Link, we have other material supplier contracts for insurance services, asset consulting and global custody services which are managed efficiently and effectively to deliver value to GESB and our members.

3.2. State and Commonwealth reforms

3.2.1. Implementation of relevant State and Commonwealth reforms

The following superannuation reforms have been reviewed with respect to relevant impacts and where appropriate, initiatives will be implemented in response to the reforms. Other Commonwealth and State legislative or regulatory changes will also be assessed regarding potential impacts on GESB.

- **YFYS reforms**

The YFYS changes implemented by the Federal Government applied to all APRA regulated superannuation funds from 1 July 2021, except for the industry-wide 'stapling' of superannuation accounts to employees, which commenced on 1 November 2021.

We will work to implement relevant reforms as informed by State Government policy and the State's response to the Commonwealth's YFYS measures.

- **PYS Package (2019)**

- **Treasury Law Amendment (Design and Distribution Obligations (DDO) and Product Intervention) Powers Act (2019)**

- **Corporate Collective Investment Vehicle Framework and Other Measures Bill 2021 (Retirement Income Covenant) (February 2022)**

Consistent with the Covenant requirements, we will develop and implement a retirement income strategy for members who are retired or approaching retirement.

- **Quality of advice review**

GESB will consider the impact to its members of the Commonwealth's response to the review and determine whether changes to services will be required or recommended

Relevant State initiatives include:

- **Integrity Strategy for WA Public Authorities 2020 – 2023**

- **Workforce Diversification and Inclusion Strategy for WA Public Sector Employment 2020 - 2025**

- **People with Disability: Action Plan to Improve WA Public Sector Employment Outcomes 2020 - 2025**

- **Digital Strategy for WA Government 2021 – 2025**

- **Public Sector Commission 'Building Leadership Impact and Leadership Expectations' framework**

3.3. Administration efficiency

We continue to efficiently manage costs and provide value for money products and services to our members. This requires continuous improvement in operating efficiency combined with maintenance of economies of scale.

Our budgeted cost per member to administer the accumulation schemes for 2023/24 is \$166. This is below the median for all superannuation funds and reflects our focus on cost efficiency¹¹.

3.3.1. Reserves

An Accumulation General Reserve (AGR) was established in September 2013 to support the costs of strategic development, Commonwealth superannuation reforms and other structural adjustments that are relevant for the accumulation and retirement income schemes.

Net excess income over expenses for our market-linked schemes is transferred to the AGR, which in turn is transferred to an Operational Risk Reserve (ORR) when needed to maintain target levels. The ORR was established to be used in the case of an adverse operational event, as per the GESB Reserving Strategy.

An annual review of reserves is undertaken to set prudent target levels, which are incorporated in the annual pricing review to ensure scheme pricing maintains the target levels of reserves. GESB distributed part of the WSS AGR to members in November 2021, to bring the WSS AGR in line with the target levels.

3.4. Insurance members can rely on

We provide Death, TPD and SCI insurance for GESB Super and WSS members as part of their superannuation benefit through group insurance policies with AIA Australia.

Our focus is on providing appropriate insurance cover that provides flexible, easy to use, value for money insurance products that members can rely on, with premiums that do not inappropriately erode their superannuation balance.

The insurance product will be reviewed and amended to align and support the changes that will occur due to the GESB One Fund initiative.

3.5. Supporting employers in meeting their superannuation obligations efficiently and effectively

Employers across the WA public sector are key stakeholders in GESB. We actively engage with key stakeholders across all State government agencies to assist employers to meet their superannuation obligations efficiently and to ensure that they remain highly satisfied with the services provided by GESB (including seminars and webinars) and Link¹².

We will continue to work with employers to support efficient employee onboarding processes, implement an employer engagement strategy to ensure appropriate support and service delivery to all employing agencies and worksites, deliver employer and member workplace information and education programs that align with GESB's strategic objectives and member journey initiatives, and ensure ongoing efficiency and compliance of employer superannuation responsibilities through any reforms implemented.

¹¹ SuperRatings Annual Benchmarking Survey, February 2023

¹² GESB Employer Services Satisfaction Research, Research Solutions, 2021/22

Objective 4: Positive culture and stakeholders

4.1. A positive and supportive organisational culture underpinned by strong values

4.1.1. Flexible, safe and productive workforce

We will continue to develop a flexible and productive workforce and provide a safe, supportive and inclusive workplace. Key focus areas to ensure we achieve this objective include:

- developing a capability framework to assist in identifying current skills, developing new competencies and providing a path for staff to build leadership capability and grow into new positions or enhance their existing roles
- aspiring to be an employer of choice by continually improving our onboarding, staff development and training programs, and providing a safe and supportive environment
- improving our performance management processes to ensure clarity of objectives and expectations, and include relevant and appropriate measurements and performance assessments across the business
- introducing a training program for managers based on the Public Sector Commission's Building Leadership Impact and Leadership Expectations framework to develop skills in areas of leadership, performance management, communication and conflict resolution
- continually assess the work environment and raise awareness of safety and ethical behaviour to ensure that GESB is a safe and supportive place in the office and when working remotely
- continuing to conduct regular staff satisfaction surveys to ensure we work towards improving the workplace and meeting staff expectations

4.1.2. Corporate governance and risk management culture

We exercise due care to safeguard and protect members' assets responsibly and uphold the values of our fund.

We regularly review our corporate governance framework as part of a standard policy review protocol. A summary of the framework has been distributed across GESB and an online training module has been implemented to ensure it is embedded across the organisation.

We have continued to embed a risk and compliance culture implementing a new incident management program, improved control assessment, new risk registers and more risk assessments. Ongoing online training is provided to give staff a better understanding of how to identify, prevent and report cyber fraud, money laundering and terrorism financing.

4.2. Highly regarded by stakeholders

State Government employers are key stakeholders in GESB and maintaining strong employer relationships remains a core objective for GESB. Employers are highly satisfied with GESB's services¹³, which include providing workplace education sessions to employees who are GESB members, assisting agencies to meet their superannuation obligations and providing support should issues arise.

GESB's webinar-based information program is continually expanding to reach a greater number of members, particularly in regional areas. We will be implementing a new webinar platform which aligns with our employers' needs.

Tailored education programs have been developed in partnership with some agencies to meet specific needs of their workforce, such as the program created for the Department of Education, which addresses the retirement concerns and financial literacy gaps of its employees.

• Stakeholder engagement on State and Commonwealth reforms

All WA public sector employers and public sector unions are key stakeholders in any changes that impact their employees and members. We will continue to consult, engage and communicate key messages to both these stakeholder groups in relation to any relevant changes to legislative, regulatory or compliance requirements.

We will also work closely with State government agencies to implement a comprehensive employee onboarding strategy to engage with new employees joining the public sector.

¹³ 86% rating 8 to 10 out of 10 in GESB Employer Services Satisfaction Research, Research Solutions, 2021/22

3 Performance and Risk Management

3.1 Performance targets

Our strategic objectives reflect our focus on providing financial outcomes to members, investment returns that meet investment objectives, low fees and improved member engagement with their superannuation. We are also focussed on providing ongoing assistance to employers to fulfil their superannuation obligations effectively and efficiently.

The Key performance measures 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*.

Performance measures (2023/24)	
Key performance measures	Targets
GSS returns v primary objectives	achieve average Weekly Earnings +2.5% p.a. over rolling five-year periods
GESB Super default plan returns v primary objectives	CPI +3% p.a. over rolling seven periods
WSS default plan returns v primary objectives	CPI +3% p.a. over rolling seven periods
Retirement Income conservative plan return v primary objectives	CPI +2% p.a. over rolling five periods
GSS, GESB Super, WSS and RI Allocated Pension returns v secondary objectives	exceed asset weighted benchmark return over rolling three-year periods
Average administration cost per accumulation account	\$166
Average administration cost per defined benefit account	\$225
Member satisfaction with service	80%
Investment management expense ratio (MER) (excluding contribution to reserves)	0.30%
Other performance measures	
WSS and GESB Super fee quartiles	Below industry median
Employer satisfaction	75%
Funds under management	\$36.5bn
Net funds flow	\$187m
Administration expenses	\$51.5m
Cost to asset ratio	0.3%
Staff satisfaction	70%
Unplanned staff turnover	<10%

3.2 Risk management

Our risk management strategy facilitates management of risks that may adversely impact members, staff, assets, operations and our outsourced service providers. The strategy meets the requirements of subsection 52 (8) of the SIS Act and *International Risk Management Standard ISO 31000:2018*.

Key material risks
1. Failure to continue to deliver member outcomes and meet member expectations
2. Failure to deliver investment returns that meet objectives
3. Financial crimes against GESB and/or members
4. Failure to achieve satisfactory outcomes in relation to material outsourced providers
5. Material operational risk event
6. Material cyber risk
7. Deterioration in leadership, capacity, capability and/or culture
8. Loss of external stakeholder trust

After implementation and monitoring of relevant controls, the following material risks are currently rated as 'high'. However, they remain within the Board's tolerance levels:

Failure to deliver investment returns that meet objectives

- higher inflation and interest rate expectations are the key theme impacting financial markets and biggest risk to GESB's investment plans not achieving their primary objectives.

Financial crimes against GESB and/or members

- risks include the increased vulnerability to family fraud, elder abuse and financial fraud associated with domestic violence.

Material cyber risk

- the increased targeting of data as a commodity which has seen cyber criminals targeting superannuation funds to obtain member data in bulk.

Material operational disruptive event

- the threats posed by a range of risks to GESB's internal systems and outsourced service providers which would impact the ongoing operation of GESB and/or involve a significant number of members. This could include events such as a pandemic, natural disaster and those caused by infrastructure or other outages.

All the controls in place to address these risks continue to be effective.

4 Financial forecasts

For the Financial Year Ending 30th June	Reforecast 2022/23 \$'000	Projected 2023/24 \$'000
Statement of Change in Net Assets		
Opening Net Assets	33,183,523	34,841,919
Income from Investments	1,811,042	1,909,987
Superannuation Revenue	3,799,730	3,890,083
Other Income	7,237	7,834
Total Revenue	5,618,009	5,807,905
Superannuation Benefit Payments	3,508,611	3,702,776
Administration Expenses	43,908	48,324
Investment Expenses	101,387	106,734
Other Expenses (incl Tax)	305,706	339,840
Total Expenses	3,959,613	4,197,674
Closing Net Assets	34,841,919	36,452,150
Net Assets by Scheme		
Defined Benefit Schemes (Gold State Super and Pension Scheme)	2,784,447	2,766,963
West State Scheme	18,383,815	18,726,858
GESB Super	7,355,998	8,531,770
Retirement Income - Allocated Pension	6,034,736	6,145,058
Retirement Income - Term Allocated Pension	12,932	11,511
Reserves	269,991	269,990
Total Assets	34,841,919	36,452,150
Accumulation Scheme Surplus Deficit		
West State Super	(993)	(2,276)
GESB Super	9,031	10,401
Retirement Allocated Pension	235	(660)
Retirement Term Allocated Pension	(69)	(77)
Total Accumulation Scheme Surplus/(Deficit)	8,205	7,389
Administration Expenses		
In house Administration Expenses	4,794	7,856
Employment Expenses	11,787	12,027
Outsourced Administration Expenses	27,327	28,441
Total Administration Expenses	43,908	48,324
Cost per Account		
Average cost per Accumulation Account	149	166
Average cost per Defined Benefit Account	212	225
Government Services Recoup		
Benefit Payments		
Gold State Super	280,311	296,498
Pension Scheme	142,772	136,235
Parliamentary Pension Scheme	9,879	10,200
Judges Pension Scheme	19,987	20,637
Total Recoup of Benefit Payments	452,950	463,570
Administration Expenses		
Gold State Super	4,824	4,642
Pension Scheme	1,330	1,259
Parliamentary Pension Scheme	325	329
Judges Pension Scheme	277	280
Government Services	247	247
Total Recoup of Administration Expenses	7,004	6,756
Total Consolidated Account Recoup	459,954	470,326

Total FUM is projected to increase to \$36.5bn by 30 June 2024. FUM is reported in the financial statements as investments plus cash and cash equivalents.

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 and the SSA.