Reserving Guidelines/Strategy

The primary aim of these guidelines is to implement the Whithear Report recommendations on the establishment and use of GES Fund reserves. Principal among these is that any defined benefit scheme assets be used to meet the funded liabilities first before being allocated to a reserve.

The reserving policy under the guidelines has been designed to:

1. ensure the reserves are only established from surplus assets of the scheme
2. prevent any cross subsidisation between the defined benefit schemes and the accumulation schemes
3. improve the transparency of the reserves
4. ensure consistency with APRA guidelines on reserving policy for superannuation funds.

in the net asset position of the fund

The impact of the first point may be demonstrated by the deficit which arose following the Global Financial Crisis:

- The financial position of the funded liability of Gold State Super deteriorated significantly in 2008-09 with a $396 million deficit as the defined benefit reserves were maintained rather than being used to fund the deficit.
- This resulted in a proposed increase in agency contributions to the scheme from 12% of salaries to 15% in 2010 increasing to 22.5% in 2016.
- Following a significant reduction in the reserves, consistent with the recommendations of the Whithear Report, the agency contribution was held to 15% rather than further increases.

Cross subsidisation also impacts the State's finances as any reduction in the defined benefit assets will lead to higher contributions from the agencies and the Consolidated Account (whereas the contribution is preset for the accumulation funds).

Financial Position	30/06/2005	30/06/2006	30/06/2007	30/06/2008	30/06/2009
	$m	$m	$m	$m	$m
Net Assets of the Fund (1)	4,728	6,258	8,367	8,312	7,944
Funded Accrued Liabilities (2)	4,335	5,523	7,346	7,773	7,957
Surplus Assets (3)=(1)-(2)	**392**	**735**	**1,021**	**539**	**-13**
Reserves (4)	**392**	**720**	**792**	**539**	**383**
Unallocated Surplus Assets (5)=(3)-(4)	0	14	229	1	-396

Source: Putting Members First, page 101.

Whithear Report.