Strategic Development Plan
2021/22 – 2025/26

Government Employees Superannuation Board
April 2021
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Executive summary

This is the Government Employees Superannuation Board’s (GESB’s) Strategic Development Plan (SDP) for the period 2021/22 - 2025/26. It provides:

- Information on GESB’s proposed strategic direction and plan for the next five years based on the expected legislative, policy, and industry environment over that time
- Key priorities and performance targets
- Financial forecasts for the five-year period, including projected fund flows, funds under management (FUM), expenditure and capital requirements to support GESB in delivering its objectives

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, 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 and the Commonwealth. They are also aligned to the Western Australian (WA) Government’s Outcomes Based Management (OBM) framework and incorporate Australian Prudential Regulation Authority’s (APRA’s) requirements for strategic planning and member outcomes1.

As at 30 June 2020, GESB had FUM of $29.4 billion (bn) with more than 270,000 member accounts for over 240,000 current and former public sector workers2.

We are committed to providing high quality, value for money superannuation and retirement products and services that meet our members’ needs in a responsible manner, through strategies aligned with the objectives of the State’s policy framework.

Over the period we will be focusing on strategies to enhance products and services for members, respond to any Commonwealth reforms over the five-year SDP period and implement relevant State reforms or policies.

Our strategic focus areas for the five-year period include:

- Ensuring member outcomes and service standards remain well positioned with respect to the leading Australian superannuation funds
- Continuing to focus on digital strategies across a range of channels, as a cost-effective way to service and engage members and improve the member experience
- Implementing relevant State and Commonwealth Government legislative changes (consistent with the HoGA)
- Ensuring that our investment performance and strategy remain appropriate
- Ensuring that our pricing and reserving strategies are appropriate and reserves in excess of requirements are distributed to members in an appropriate manner
- Continuing to provide insurance members can rely on, with premiums that don’t inappropriately erode member account balances
- Increasing engagement with employers to assist them in effectively and efficiently discharging their superannuation obligations
- Ensuring our key service providers are strategically aligned to GESB’s objectives and are delivering value for money services to our members
- Ensuring we maintain a strong, risk-aware and high-performing culture, and retaining high-quality people

1 SPS515 – Strategic Planning and Member Outcomes, APRA, August 2019
2 GESB membership statistics, June 2020
1. GESB overview

1.1. Statutory framework

GESB is a statutory authority responsible for administering the superannuation schemes established under the State Superannuation Act 2000, in addition a number of other defined benefit schemes on behalf of the State. GESB is accountable to the Treasurer of WA.

The superannuation schemes administered by GESB have been afforded Exempt Public Sector Superannuation Scheme (EPSSS) status by the Commonwealth, in recognition of circumstances surrounding many public sector schemes and the State’s undertaking to ensure that members’ accrued benefits in exempted schemes are fully protected. As an EPSSS, each GESB scheme is exempted from the Superannuation Industry (Supervision) Act 1993 (SIS Act) and the Superannuation (Resolution of Complaints) Act 1993 and afforded the status of a complying superannuation fund for the purposes of Commonwealth income tax assessment legislation.

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 issued pursuant to the SSA; and
- The HoGA 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’s policy framework. GESB is responsible to the Treasurer who approves GESB’s strategic direction through its Statement of Corporate Intent (SCI) and SDP. In the performance of its functions, GESB is subject to the written guidelines issued by the Treasurer and a number of functions require the direct approval of the Treasurer. We are not subject to APRA regulation.

1.2. Heads of Government Agreement (HoGA)

As with other States and Territories, Western Australia is a signatory to the ‘National Superannuation Standards’ HoGA with the Commonwealth. The HoGA applies the principle of national standards to State superannuation arrangements. These standards include rules around preservation and protection of benefits, vesting of benefits, member disclosures and adequate prudential and supervisory arrangements.

Under the HoGA, the State Government undertakes to ensure that the GESB schemes will conform with the principles of the Commonwealth’s retirement incomes policy to the best of its endeavours. Additionally, the HoGA requires GESB to provide the Commonwealth Treasury with a statement outlining the State’s compliance with the undertakings made in the HoGA on an annual basis.

In exchange for this undertaking, the Commonwealth has agreed to exempt GESB from the Superannuation Industry (Supervision) Act 1993 and the Superannuation (Resolution of Complaints) Act 1993. It also deems GESB schemes to be complying superannuation funds for the purposes of the Income Tax Assessment Act 1936 and the Income Tax Assessment Act 1997 providing concessional tax treatment of the GESB schemes, similar to other superannuation funds.

The SSA, SSR and Treasurer’s Guidelines incorporate the relevant principles to meet HoGA obligations.
1.3. Our 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 nearly 240,000 current and former WA public sector employees. We manage an investment portfolio of $29.4bn, of which 90% ($26.4bn) is managed for members in market-linked schemes, where members bear the investment risk, and $2.9bn is managed for the State to support its defined benefit liabilities (data as at 30 June 2020).

We administer the schemes established under the SSA (SSA 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, GESB’s 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.

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.

The State guarantees payment of every benefit payable under the SSA schemes. This is particularly relevant for members of the State’s defined benefit schemes, which are partially unfunded.

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

In carrying out our responsibilities, GESB’s Board undertakes to act 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, goal, strategic objectives and priorities are determined within the context of our enabling legislation and the HoGA between the State of Western Australia and the Commonwealth. They reflect State and Commonwealth policy objectives and also GESB’s statutory obligation to act, as far as practicable, in the best interests of members in performing its functions. They are aligned to the Western Australian Government’s OBM framework, with GESB’s outcome contributing to the government goal of sustainable finances (responsible financial management and better service delivery)6 and will align with State Government policy and reforms where relevant.

<table>
<thead>
<tr>
<th>Our purpose</th>
<th>To look after our members’ superannuation with excellence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our corporate goal</td>
<td>Improved long-term superannuation benefits for our members</td>
</tr>
<tr>
<td>Our focus</td>
<td>Operational excellence and delivery of well-regarded services and products to members and employers</td>
</tr>
</tbody>
</table>

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3 Member satisfaction survey, Research Solutions, 2019/20 financial year
4 State Superannuation Act 2000, Division 5, Sections 31 and 32
5 Benefit Payment Guarantee excludes investment market losses except for WSS Minimum Benefit Guarantee, which is funded from a specific reserve
6 Department of Treasury, Government of Western Australia: Outcomes Based Management, Guidelines for use in the Western Australian Public Sector (2017)
1.4. Objectives and member outcomes
Our strategy is also aligned with the Commonwealth requirements regarding member outcomes.
In April 2019 the Treasury Laws Amendment (Improving Accountability and Member Outcomes in Superannuation Measures No. 1) Bill 2019 amended the SIS Act and the Corporations Act 2001 (Cth) (the Corporations Act). These amendments introduced the requirement to assess annually whether the outcomes being delivered are promoting the financial interests of members, and whether the offerings are appropriate for the fund’s beneficiaries, through a ‘member outcomes test’. The Board determines the desired member outcomes and approves strategic objectives that support achieving these outcomes as well as the sound and prudent management of business operations.

<table>
<thead>
<tr>
<th>Strategic objectives</th>
<th>Description</th>
<th>GESB member outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Financial outcomes for our members</td>
<td>Net benefit to members through low fees and delivery of returns that meet or exceed investment objectives</td>
<td>Net benefit to members is above median of all funds</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Investment returns that meet or exceed investment return and risk objectives</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Fees are in the lowest quartile and are charged on a scheme level cost recovery basis</td>
</tr>
<tr>
<td>2. Member experience</td>
<td>A positive experience for our members when they engage with GESB</td>
<td>Members are satisfied when contacting GESB</td>
</tr>
<tr>
<td></td>
<td>Give primacy to our members’ perspective and be their advocate for appropriate outcomes</td>
<td>Members/member representatives are treated fairly and with respect (in a timely manner) and with due regard for their circumstances and the complexity of issues</td>
</tr>
<tr>
<td>3. Efficient and effective operations</td>
<td>Value for money products and services that meet members’ needs</td>
<td>Value for money products and services that meet members’ needs</td>
</tr>
<tr>
<td></td>
<td>Insurance members can rely on</td>
<td>Appropriate insurance cover that does not inappropriately erode members’ superannuation balances</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Flexible, easy to use, value for money insurance products that members can rely on</td>
</tr>
<tr>
<td></td>
<td>Sufficient scale to support continued achievement of member outcomes</td>
<td>Value for money products and services</td>
</tr>
<tr>
<td></td>
<td>Supporting employers in meeting their superannuation obligations efficiently and effectively</td>
<td></td>
</tr>
<tr>
<td>4. Positive culture and stakeholders</td>
<td>A positive and supportive organisational culture underpinned by strong values</td>
<td>GESB exercises due care to safeguard and protect members’ assets responsibly and uphold the key values of the fund</td>
</tr>
<tr>
<td></td>
<td>Highly regarded by stakeholders</td>
<td></td>
</tr>
</tbody>
</table>
Our values

<table>
<thead>
<tr>
<th>Put members first</th>
<th>We are committed to providing excellent default superannuation and retirement products and related services that meet our members’ needs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sustainable performance</td>
<td>We are committed to consistently delivering well-regarded, value for money products and services with performance that meets or exceeds objectives</td>
</tr>
<tr>
<td>Achieve together</td>
<td>We partner with our members, the State, employers and other stakeholders to successfully deliver on our purpose</td>
</tr>
<tr>
<td>Act with integrity</td>
<td>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</td>
</tr>
</tbody>
</table>

1.5. Key strategic themes (2021)

Our strategic themes are set annually by the Board following review of industry trends, legislative/regulatory changes and GESB’s forecasts.

<table>
<thead>
<tr>
<th>Key strategic themes</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Improved member outcomes</td>
<td>We will continue to identify and deliver on member outcomes</td>
</tr>
<tr>
<td>Investment performance</td>
<td>Delivery of investment performance that meets objectives and is above median relative to peers</td>
</tr>
<tr>
<td>Environmental, Social and Governance (ESG)</td>
<td>We will continue to develop our ESG policy, maintaining focus on members’ best financial interests</td>
</tr>
<tr>
<td>Regulation/legislation</td>
<td>We will review our long-term strategy and future operating model in consultation with key stakeholders in light of the proposed Your Future, Your Super superannuation reforms</td>
</tr>
<tr>
<td>Third party providers</td>
<td>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</td>
</tr>
<tr>
<td>Member experience</td>
<td>Delivery of services that meet members’ continuously evolving expectations, with a focus on treating members fairly and with respect, regardless of the channel or reason for engagement, and utilising technology to better engage with them</td>
</tr>
<tr>
<td>Data and technology</td>
<td>We will maintain our current focus on monitoring and mitigating risks around data security and cyber fraud</td>
</tr>
<tr>
<td>People and culture</td>
<td>Maintaining a positive high-performing culture is critical to delivering on our business objectives and member outcomes</td>
</tr>
</tbody>
</table>
2. Performance


To conform with the Commonwealth’s accountability and member outcomes measures, the Board has elected to conduct an annual business performance review (BPR) and member outcomes assessment (MOA). The BPR requires us to assess our performance against our strategic objectives across our business operations and the MOA requires us to conclude whether our members’ financial interests are being promoted in the product they hold. Key performance areas include investment performance, fees, services and benefits, and insurance cost and product design.

We conducted our first BPR and MOA for the My GESB Super and My West State Super (WSS) options in November 2020. These assessments confirmed we achieved our targeted member outcomes for the majority of measures in 2019/20.

Findings in these reports are used as the basis for taking action to improve our performance and to deliver on member outcomes. A summary of the annual MOA was published on the GESB website in March 2021.

We also introduced improved business planning, business case development and expenditure management processes in 2020 in order to comply with APRA business planning requirements and adopt industry best practice.

2.2. Achievements 2019/20

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

We continue to perform well and are valued by members and employers:

- GESB was recognised as a Top 20 ‘Best Practice’ agency by the Office of the Auditor General (2019/20 Annual Report)
- GESB has consistently achieved a Platinum Rating for the WSS, GESB Super and Retirement Income Pension schemes, recognising GESB as a ‘best value for money’ fund7
- Member satisfaction with the service provided by our Member Services Centre (MSC) remained extremely high over the 2019/20 financial year at 91%, with 82% of surveyed members scoring GESB 8-10 (out of 10) 8
- Employer satisfaction with the service provided by GESB for 2019/20 remained high with 91% rating their satisfaction 6 to 10 out of 10 (77% rating 8 to 10 out of 10). Satisfaction with the different areas employers have dealt with also remains high, with 97%, 99% and 100% rating GESB as 6 to 10 out of 10 for payroll general, key account management (KAM) and the MSC, respectively. Ninety-three percent of employers rated their satisfaction with GESB’s KAM team as 8 to 10 out of 109. These high results are pleasing as they capture services provided during the COVID-19 coronavirus pandemic
- Staff satisfaction remains strong at 93%10
- GESB’s Readymade multi-asset class investment options continue to achieve investment returns in excess of their primary investment objectives

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7 SuperRatings Annual Benchmarking Survey, February 2021
8 GESB Member Services Satisfaction Research, Research Solutions, Financial Year 19/20
9 GESB Employer Services Satisfaction Research, Research Solutions, Financial Year 19/20
10 GESB Employee Satisfaction Survey, GESB Human Resources, March 2020
2.3. **Other deliverables in 2019/20**

The following initiatives were implemented in 2019/20.

**Opting out of insurance made easy**

Amendments to the SSR were made during the year to enable members of GESB Super and WSS to opt out of insurance over the phone by calling our MSC. This easy process complements our existing online opt-out process and paper-based form, providing members with a choice of channels to use.

**Online member statement summaries**

To complement Annual Member Statements, we introduced online statement summaries to give members a quick and easy way to keep track of their account. The statement summaries were well-received, with 73% of members rating their satisfaction with them as 8 to 10/10.

**Protecting members’ accounts**

In May 2020, we implemented an automated SMS and email service to notify members when we receive an electronic request to roll their super benefit out of GESB. This is designed to help mitigate against fraudulent withdrawals, by asking members to contact us immediately if they did not initiate a request. After receiving calls from members in response to these communications, a number of unauthorised payments were prevented from being made.

**Retirement Options Service (ROS) improvements**

We enhanced our ROS during the year, increasing the appointment time from 45 to 60 minutes at no additional cost to members. This allows time to document a summary of the discussion and provide specific handouts to support the topics covered in the appointment.

**Activities of Daily Living definition removed**

We negotiated with AIA Australia (AIA), our insurance provider, to remove the Activities of Daily Living definition of Total and Permanent Disability (TPD) from our GESB Super and WSS insurance policies. From 1 October 2019, all members who claim for TPD will have their claim assessed against their ability to work in a suitable occupation again.

**Reconciliation Action Plan (RAP)**

We recognise that building strong, respectful partnerships with Aboriginal and Torres Strait Islander peoples and communities is a vital step towards achieving reconciliation. In 2019 we launched our first RAP in the ‘Reflect’ phase. Our first RAP helped us to clarify our vision for reconciliation and to develop initiatives for improved outcomes and engagement with Aboriginal and Torres Strait Islander peoples. During our ‘Reflect’ plan, we were involved in a number of initiatives including Big Super Day Out – an event arranged by the First Nations Foundation to help Indigenous Western Australians in Broome and Kununurra with their super; and an Aboriginal school-based paid traineeship for Year 11 and 12 students to get work experience in the public sector.

**Accessibility**

We are committed to providing our members with access to information about their superannuation options and entitlements, regardless of impairment. We continued to improve the information and communication area of our Disability Access and Inclusion Plan (DAIP) both for members and staff. Our website was assessed as 100% compliant with the Web Content Accessibility Guidelines (WCAG 2.0), and includes a Retirement Planning calculator, accessible fact sheets, forms and brochures, and feedback forms in alternate formats such as audio and large text. GESB’s Digital Communications Specialist, responsible for overseeing our website accessibility initiatives, was named as one of three finalists nationwide for the ‘Accessibility Person of the Year’ at the 2019 Australian Access Awards.

**COVID-19 early access to Super**

In March 2020, Commonwealth legislation passed allowing members who were financially affected by COVID-19 to access up to $10,000 of their super tax free in each of the 2019/20

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11 GESB Statement summary member research, October 2020
and 2020/21 financial years. As GESB is an EPSSS, our members needed to apply to us directly (rather than through the ATO) to access their super on compassionate grounds.

From the period 20 April 2020 to 31 December 2021 we processed approximately 19,000 payments with a total value of $164.1 million (m). Payments processing averaged 3.58 business days, with an average payment value of $8,638.

2.4. Performance targets

Our strategic objectives reflect our focus on providing net benefits to members, investment returns which meet or exceed investment objectives, low fees and improved member engagement with their superannuation. We are also focused on providing ongoing assistance to employers to efficiently and effectively fulfil their superannuation obligations.

We use 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 strategic objectives:

<table>
<thead>
<tr>
<th>Strategic Objectives</th>
<th>Frequency</th>
<th>Unit</th>
<th>Objective (all periods)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gold State Super (Net of Fees and Tax) Return vs Primary Objective</td>
<td>Quarterly</td>
<td>$m</td>
<td>achieve Average Weekly Earnings +2.5% pa over rolling five year periods</td>
</tr>
<tr>
<td>GESB Super Default Plan (Net of Fees and Tax) Return vs Primary Objective</td>
<td>Quarterly</td>
<td>$m</td>
<td>achieve CPI+3.0% pa over rolling seven year periods</td>
</tr>
<tr>
<td>West State Default Plan (Net of Fees and Tax) Return vs Primary Objective</td>
<td>Quarterly</td>
<td>$m</td>
<td>achieve CPI+3.0% pa over rolling seven year periods</td>
</tr>
<tr>
<td>Retirement Income Conservative Plan (Net of Fees and Tax) Return vs Primary Objective</td>
<td>Quarterly</td>
<td>$m</td>
<td>achieve CPI+2.0% pa over rolling five year periods</td>
</tr>
</tbody>
</table>

**INVESTMENT PERFORMANCE**

<table>
<thead>
<tr>
<th>Strategic Objectives</th>
<th>Frequency</th>
<th>Unit</th>
<th>Objective (all periods)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gold State Super (Net of Fees) Return vs Benchmark</td>
<td>Quarterly</td>
<td>$m</td>
<td>exceed asset weighted benchmark return over rolling three year periods</td>
</tr>
<tr>
<td>GESB Super Default Plan (Net of Fees) Return vs Benchmark</td>
<td>Quarterly</td>
<td>$m</td>
<td>exceed asset weighted benchmark return over rolling three year periods</td>
</tr>
<tr>
<td>West State Default Plan (Net of Fees) Return vs Benchmark</td>
<td>Quarterly</td>
<td>$m</td>
<td>exceed asset weighted benchmark return over rolling three year periods</td>
</tr>
<tr>
<td>Retirement Income Conservative Plan (Net of Fees) Return vs Benchmark</td>
<td>Quarterly</td>
<td>$m</td>
<td>exceed asset weighted benchmark return over rolling three year periods</td>
</tr>
</tbody>
</table>

**NET MEMBER BENEFITS - FEES**

<table>
<thead>
<tr>
<th>Strategic Objectives</th>
<th>Frequency</th>
<th>Unit</th>
<th>Objective (all periods)</th>
</tr>
</thead>
<tbody>
<tr>
<td>PSSS Default Plan Fee Quartile</td>
<td>Quarterly</td>
<td>$m</td>
<td>Below Median1 Below Median2 Below Median3 Below Median4 Below Median5</td>
</tr>
<tr>
<td>GESB Super Default Plan Fee Quartile</td>
<td>Quarterly</td>
<td>$m</td>
<td>Below Median1 Below Median2 Below Median3 Below Median4 Below Median5</td>
</tr>
</tbody>
</table>

**MEMBER EXPERIENCE**

<table>
<thead>
<tr>
<th>Strategic Objectives</th>
<th>Frequency</th>
<th>Unit</th>
<th>Objective (all periods)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Member Satisfaction2</td>
<td>Quarterly</td>
<td>%</td>
<td>80 80 80 80 80</td>
</tr>
</tbody>
</table>

**EFFICIENT OPERATIONS**

<table>
<thead>
<tr>
<th>Strategic Objectives</th>
<th>Frequency</th>
<th>Unit</th>
<th>Objective (all periods)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administration Cost per Accumulation Account</td>
<td>Monthly</td>
<td>$m</td>
<td>171 168 174 181 189</td>
</tr>
<tr>
<td>- Gold State cost per member</td>
<td>Monthly</td>
<td>$m</td>
<td>206 206 217 229 242</td>
</tr>
<tr>
<td>- Pension Scheme cost per member</td>
<td>Monthly</td>
<td>$m</td>
<td>184 183 193 205 216</td>
</tr>
<tr>
<td>Employer Satisfaction3</td>
<td>Annually</td>
<td>%</td>
<td>75 75 75 75 75</td>
</tr>
<tr>
<td>Funds, Under Management</td>
<td>Monthly</td>
<td>$m</td>
<td>34.8 36.7 38.6 40.4 42.1</td>
</tr>
<tr>
<td>Net Funds Flow</td>
<td>Monthly</td>
<td>$m</td>
<td>631 452 275 106 -53</td>
</tr>
<tr>
<td>Administration Expenses</td>
<td>Monthly</td>
<td>$m</td>
<td>49.5 47.9 48.5 40.3 50.0</td>
</tr>
<tr>
<td>MEIR (excluding contribution to reserves)</td>
<td>Monthly</td>
<td>%</td>
<td>0.27 0.27 0.27 0.27 0.27</td>
</tr>
<tr>
<td>Cost to Asset Ratio</td>
<td>Monthly</td>
<td>%</td>
<td>0.38 0.38 0.38 0.38 0.38</td>
</tr>
</tbody>
</table>

**POSITIVE CULTURE AND STAKEHOLDERS**

<table>
<thead>
<tr>
<th>Strategic Objectives</th>
<th>Frequency</th>
<th>Unit</th>
<th>Objective (all periods)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staff Satisfaction</td>
<td>HalfYearly</td>
<td>%</td>
<td>70 70 70 70 70</td>
</tr>
<tr>
<td>Unplanned Turnover</td>
<td>Monthly</td>
<td>%</td>
<td>5 5 5 5 5</td>
</tr>
</tbody>
</table>

Notes

1. ‘Below median’ fees targets GESB fees being lower than the median fee of all MySuper products as reported by the SuperRatings Benchmark Report
2. 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)
3. The Budget Administration Cost per Accumulation Account in 2021/22 of $171 is based on total administration costs of $39.5m and average account numbers of 231,631. The budgeted Administration Cost per Defined Benefit Account of $206 is based on total administration costs of $6.1m and average account numbers of 29,538. The cost per Defined Benefit will continue to increase as Administration costs remain stable whilst member numbers decrease
4. 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)
Key assumptions for 2021/22 budget:

- Projections include assumptions relating to investment performance, salary increases and member behaviour. Any variations between these and actual performance could impact GESB’s key result areas.
- An investment return of 5.5% is applied for 2021/22 based on medium-term (five year) projections.
- 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 full-time equivalent (FTE) count remains stable over the forecasting period.
3. Operating environment

This section provides a brief summary of the superannuation industry, regulatory changes and fund forecasts which have the potential to influence our strategic direction and initiatives. More detail is provided in Appendix C.

3.1. Superannuation industry trends

The Australian superannuation industry continues to operate in a climate of change as it matures and faces a volatile investment environment, changing demographics and continuing Commonwealth reforms as well as dealing with the impacts of COVID-19.

Relevant trends affecting the Australian superannuation industry and that are considered during our strategic planning process include:

- FUM and membership growth
- Investment strategies and performance
- Net funds flow
- Fees and operating expenses
- Culture, trust and social license
- Fund mergers
- Member outcomes, experience and engagement
- Insurance in superannuation
- Changing demographics
- Environmental, Social and Governance (ESG)
- Technology and data

3.2. Legislation/policy changes

Due to COVID-19, many of the planned Commonwealth reforms have been delayed, however new reforms were announced in the 2020 Budget on 6 October 2020 that have the potential to significantly impact the industry.

Key reforms potentially impacting GESB include:

- Your Future, Your Super reforms (2020/21 Budget)
- Treasury Laws Amendment (Improving Accountability and Member Outcomes in Superannuation Measures No.1) Act 2019
- Treasury Laws Amendment (Putting Members’ Interests First) (PMIF) Act 2019
- Treasury Laws Amendment (Protecting Your Superannuation Package) (PYS) Act 2019
- Retirement Income Review (2020)

GESB is not APRA regulated, however, the Western Australian Treasurer agreed via the HoGA that the State will conform with the principles of the Commonwealth’s retirement income policy to the best of its endeavours. Therefore, GESB will align with the Commonwealth regime as far as is practicable, so all Commonwealth reforms need to be reviewed to determine the extent of impact on GESB.

Relevant State reforms include:

- Integrity Strategy for WA Public Authorities (2020 – 2023)
- Disability Access and Inclusion Plan (DAIP)
- Public Sector reform program (currently deferred due to COVID-19)
3.3. Our forecasts

Growth

GESB’s total FUM is forecast to increase to $42.1bn by 30 June 2026. The number of member accounts is forecast to decrease to 233,107 from 243,021 in the same period.

Our net funds flow (superannuation contributions received less benefit payments paid out) is projected to turn negative in the financial year 2025/26.

Notwithstanding projected negative net funds flows at total fund level, investment earnings are projected to more than offset negative flows, therefore, total FUM is projected to continue to increase over the period. Beyond the forecast period, persistent negative net funds flow may affect GESB’s ongoing scale.

Projected declines in our closed schemes (GSS and WSS) over time need to be taken into account in our long-term strategic planning. Members of these schemes will continue to benefit from scale benefits of the positive growth trends in the (open) GESB Super and RI schemes.

Actuarial projections for GSS’s financial position indicate GSS will be fully funded by 2031 (assuming no changes to the current contribution and recoupment rates).

Industry growth metrics (2020)\textsuperscript{12}

The table below shows our growth metrics against the superannuation industry for the year to 30 June 2020.

<table>
<thead>
<tr>
<th>Growth metric</th>
<th>GESB</th>
<th>Large funds</th>
<th>Industry median</th>
<th>Benchmark</th>
</tr>
</thead>
<tbody>
<tr>
<td>FUM growth</td>
<td>0.6%</td>
<td>0.4%</td>
<td>-1.1%</td>
<td>Above benchmark</td>
</tr>
<tr>
<td>Member growth</td>
<td>-3.0%</td>
<td>7.2%</td>
<td>2.7%</td>
<td>Lagging</td>
</tr>
<tr>
<td>Average account balance</td>
<td>$121.7k</td>
<td>$121.0k</td>
<td>$102.6k</td>
<td>Above benchmark</td>
</tr>
<tr>
<td>Active member ratio</td>
<td>79.1%</td>
<td>78.7%</td>
<td>81.0%</td>
<td>Lagging</td>
</tr>
<tr>
<td>Net cash flow</td>
<td>$299m</td>
<td>$1.8m</td>
<td>-$20.6m</td>
<td>Well above benchmark</td>
</tr>
<tr>
<td>Operating expense growth</td>
<td>-0.3%</td>
<td>5.6%</td>
<td>4.7%</td>
<td>Well above benchmark</td>
</tr>
<tr>
<td>Operating expense/net/assets</td>
<td>0.11%</td>
<td>0.27%</td>
<td>0.39%</td>
<td>Well above benchmark</td>
</tr>
<tr>
<td>Cost per member</td>
<td>$138</td>
<td>$288</td>
<td>$344</td>
<td>Well above benchmark</td>
</tr>
<tr>
<td>Cost per active member</td>
<td>$177</td>
<td>$334</td>
<td>$381</td>
<td>Well above benchmark</td>
</tr>
</tbody>
</table>

\textsuperscript{12} Annual Benchmarking Report 2021, SuperRatings
4. **GESB’s strategy**

**Strategic priorities (five-year period)**

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 achieve appropriate 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 also focus on ensuring all initiatives are aligned to State policy and will respond, in consultation with the State, to Commonwealth superannuation reforms over the five-year SDP period.

We will ensure that we are continuously regarded as 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.

**4.1. Summary of strategic initiatives**

The table below provides an overview of strategic initiatives planned over the SDP period. More detail on our strategy and initiatives is provided in section 4.2 below.

<table>
<thead>
<tr>
<th>Strategic initiatives</th>
<th>Horizons</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Horizon 1 one year (to Dec 2022)</td>
</tr>
<tr>
<td><strong>Objective 1: Financial outcomes for our members</strong></td>
<td></td>
</tr>
<tr>
<td>1.1. Net benefit to members through low fees and delivery of returns that meet or exceed investment and risk objectives</td>
<td></td>
</tr>
<tr>
<td>Pricing review</td>
<td></td>
</tr>
<tr>
<td>ESG framework</td>
<td></td>
</tr>
<tr>
<td>Investment risk management framework</td>
<td></td>
</tr>
<tr>
<td>Improved accountability and MOA (inc Annual Member Meeting)</td>
<td></td>
</tr>
<tr>
<td><strong>Objective 2: Positive member experience</strong></td>
<td></td>
</tr>
<tr>
<td>2.1. A positive experience for members when they engage with GESB</td>
<td></td>
</tr>
<tr>
<td>Member online (MOL) re-build</td>
<td></td>
</tr>
<tr>
<td>MOL enhancements</td>
<td></td>
</tr>
<tr>
<td>Interactive statement summaries</td>
<td></td>
</tr>
<tr>
<td>Online forms</td>
<td></td>
</tr>
<tr>
<td>Online document centre</td>
<td></td>
</tr>
<tr>
<td>Member eCommunication program</td>
<td></td>
</tr>
<tr>
<td>Complaint management system</td>
<td></td>
</tr>
<tr>
<td>2.2. Give primacy to our members’ perspective and be their advocate for appropriate outcomes</td>
<td></td>
</tr>
<tr>
<td>Financial hardship/compassionate grounds process review</td>
<td></td>
</tr>
<tr>
<td>Deceased estates process review</td>
<td></td>
</tr>
<tr>
<td><strong>Objective 3: Efficient and effective operations</strong></td>
<td></td>
</tr>
<tr>
<td>3.1. Value for money products and services that meet members’ needs</td>
<td></td>
</tr>
<tr>
<td>Binding death nominations</td>
<td></td>
</tr>
</tbody>
</table>
Superstream rollover MIG 3 and SMSF rollovers
Administration contract renewal
Operating model

### 3.2. Insurance members can rely on

- ISWG initiatives
- AIA insurance contract renewal
- PYS and PMIF insurance changes
- Changes to default insurance and opt outs
- AIA systems upgrade

### 3.3. Supporting employers in meeting their superannuation obligations efficiently and effectively

- Employer data integrity project

#### Objective 4: Positive culture and stakeholders

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

- Attitudes survey development

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### 4.2. Our Strategy 2020 – 2025

#### Objective 1: Financial outcomes for members

1.1 Net benefit to members through low fees and delivery of returns that meet or exceed investment and risk objectives

1.1.1 *Investment returns that meet or exceed return and risk objectives*

The focus areas of our investment strategy are to:

- Achieve investment returns that meet or exceed our investment and risk objectives
- Enhance risk analysis tools and capabilities
- Further develop our approach to integrating ESG considerations into our investment process
- Continue to pursue efficiencies in the formulation and implementation of investment strategy

Formulating and giving effect to investment strategies and prudently managing investment risk for members and the State are key responsibilities of GESB’s Board.

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
- 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 (SAA) – the long-term allocation of assets between major 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. SAAs are being reviewed on an annual basis.
Initiatives

• Investment performance
  A review of each asset class is scheduled to be undertaken on a regular basis during the period of this SDP. Each review will take into account the appropriateness of the asset class composition, the spread of risk in the portfolio and the distribution of risk across investment managers and strategies.

• ESG policy
  ESG factors can impact long-term risk-adjusted returns, so it is important to understand material ESG risks and opportunities and integrate them into the investment process. As such we have integrated ESG considerations throughout our investment process, improved disclosure of portfolio holdings and considered climate-related risks in formulating our investment strategy. A range of additional ESG initiatives will also be considered over the coming years.

Principles behind our ESG considerations include:
  – Climate change and the transition to a low carbon economy is an important ESG factor to be considered in the investment process
  – Effective stewardship which can play a role in improving ESG practices of companies as well as enhancing the long-term risk-adjusted returns of investments
  – Voting and engagement are important avenues to influence the companies in which we invest
  – Transparency is important and GESB is committed to disclose information reasonably expected by members and key stakeholders

We intend to further develop our ESG Policy to comprehensively address ESG factors in the various stages of our investment process:
  – Investment strategy – understanding the impact that climate change could have on long term investment returns and risk
  – Portfolio construction – understanding exposures to various ESG related risks, focusing initially on the Australian and International equity portfolios
  – Investment manager selection and monitoring – understanding how external investment managers integrate ESG factors into their investment decisions and monitoring whether they act in a manner consistent with our expectations
  – Company engagement – ensuring that external investment managers appropriately undertake proxy voting on GESB’s behalf
  – Engagement with asset consultant/s – requiring that appointed asset consultant/s integrate ESG factors into their investment process

• Investment risk management system
  GESB is implementing an investment risk management system in early 2021, to assist with the identification, measurement, monitoring and management of investment risks.

The key objectives of the system are to:
  – Better understand the level and composition of key risks within each investment option and the Fund’s portfolio as a whole
  – Provide a more integrated and robust approach to risk management and reduce key person risks
  – Implement more efficient risk and return analysis

1.1.2. Fees below median and charged on a cost recovery basis

Pricing for GESB’s market-linked superannuation and retirement schemes is determined by the Board based on regular reviews of each scheme’s financial position. Pricing recommendations are aligned with the SIS Act fee rules for MySuper products as per the Treasurer’s Guidelines for Stronger Super. In setting scheme pricing, the Board recognises the need to provide value to members and the State.
Pricing reviews are conducted annually to ensure that the level of fees and charges meets the following pricing principles:

- Provide value for members through fair and equitable pricing, taking into account relevant legislative and regulatory obligations. This includes aiming to minimise cross subsidisation between schemes.
- Maintain financial viability of GESB.
- Maintain operational risk reserves at a level that reflects, at a minimum, the expected operational risk of each scheme whilst complying with the Treasurer’s Guidelines on Reserves and industry standards inclusive of APRA.
- Meet the SIS Sole Purpose Test provisions for APRA-regulated superannuation funds and Trustees as agreed under the HoGA.
- Have fees and charges that provide full cost recovery subject to appropriateness of reserve levels per scheme.
- Maintain an Accumulation General Reserve that appropriately reflects the Board’s ongoing strategic requirements.

We charge fees to members for administration and investment services and employ both fixed and variable fee components to reflect underlying cost drivers. There are no direct member fees for defined benefit schemes.

GESB’s fees are currently below industry medians. At January 2021 they were:

- WSS default investment plan annual fees on an account balance of $50,000: $321 (versus industry median for MySuper of $537)\(^{13}\)
- GESB Super default investment plan annual fees on an account balance of $50,000: $456 (versus industry median for MySuper of $537)\(^{12}\)
- Retirement Income Pension Balanced investment plan annual fees on an account balance of $250,000: $1,475 (versus industry median of $2,700)\(^{12}\)
- Annual fees for the Retirement Income Term Allocated Pension (RI TAP) Balanced investment plan annual fees on an account balance of $200,000: $1,500 (comparative of industry median not available)

GESB also 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. The ROS fee for 2020/21 is $490.

**Initiatives**

- **Fair and equitable pricing**
  
  APRA Prudential Standard SPS 515 *Strategic planning and member outcomes* requires funds to determine whether the basis for charging fees is appropriate for beneficiaries of the fund. Our objective is to provide value for members through fair and equitable pricing, taking into account relevant legislative and regulatory obligations. This includes aiming to minimise cross subsidisation between schemes and relevant member cohorts.
  
  The 2021 pricing review is due to be completed by November 2021.

- **ROS fees**
  
  ROS is a 60-minute, one-on-one meeting with an experienced consultant who knows and understands GESB’s unique schemes. ROS is charged on a fee-for-service basis so that members who use the service pay for it rather than the total cost of providing the service being paid collectively by all fund members.
  
  Although member satisfaction with ROS is high, with more than 90% of members rating their satisfaction with the service above 8 out of 10, some members have expressed concerns regarding the cost of the service. Additionally, the number of members using the

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\(^{13}\) SuperRatings SMART database, January 2021
service and benefiting from the information provided in a ROS appointment has been decreasing, in part due to the cost of the service. We are increasing the subsidy we provide for ROS, in order to reduce the cost to members and be more aligned with industry prices for similar services.

1.1.3. Improved accountability and member outcomes

In August 2019, APRA released prudential standard SPS 515 *Strategic planning and member outcomes* to provide guidance to funds in implementing the legislatively required improved accountability and member outcomes changes. The key requirements of this prudential standard (and supporting guidance) are:

- The Board determines the desired member outcomes and approves strategic objectives that support achieving these outcomes, as well as the sound and prudent management of business operations
- The Board approves a three-year business plan which sets out the approach for implementation of the strategic objectives
- An annual review of performance is conducted on achievements in implementing the strategic objectives and member outcomes incorporating any actions to improve performance of the business plan
- Decisions to incur significant expenditure are to support achievement of strategic objectives and be monitored against their expected outcomes

To date we have implemented the following to support our strategic plan:

- Board approved strategic objectives with identified member outcomes
- Board approved strategic business plan. This SDP has been revised to incorporate three and five-year time horizons, to meet both Western Australian State Government and APRA requirements
- Development of operational business plan framework (addressing our strategic plan and the initiatives that support our strategic objectives)
- A comprehensive business case process, including justification for expenditure on strategic initiatives
- Development of the member outcomes metrics framework
- Conducted our first annual BPR and MOA and reporting

We will continue to develop the outcomes assessment framework, ensuring that it is integrated into our strategic planning process and documents.

Initiatives

- **Published MOA**
  
  These legislative changes require funds to publish a summary of their annual MOA on their websites within three months of finalising the assessment. Our first MOA summary was published in March 2021. Our second MOA summary will be published in March 2022.

- **Annual member meeting (AMM)**
  
  An additional requirement of the member outcomes legislation is for funds to hold an AMM to discuss key aspects of the Fund and to provide members with a forum to ask questions of the Fund’s performance and operations. We are intending to hold our first AMM in November 2021, utilising the June 30 statement lodgement (in September 2021) to notify members of the meeting.
**Objective 2: Member experience**

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

**2.1.1. Services to members**

We provide a range of member information and support services, for example the GESB website and the Member Online secure portal (MOL), Insurance Claims Consultants (ICC), MSC, Live chat, ROS, seminars and webinars.

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

As the MSC, ROS, and ICC services are provided by the Link Group (Link), service standards and measures have been put 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 are serviced in an efficient, timely and informed manner.

**Initiatives**

- **ROS enhancements**
  
  Currently the highly valued ROS appointments are only held in person in the Perth Link offices.

  To broaden accessibility of ROS to GESB members living in regional Western Australia, we intend to implement a virtual service where the ROS specialists conduct virtual one-on-one meetings utilising MS Teams technology. This enhanced offering would also benefit members who are unable to come into the Perth CBD due to reasons such as ill health, border restrictions, etc.

- **Member communication and information**

  We will continue to encourage members to engage with their superannuation and make informed choices through timely, relevant information and tools. Existing compliance-driven communications such as statement mailings, as well as digital channels, will be used to provide members with relevant information aligned to their five main superannuation related information needs (insurance, choosing a fund, investment plan, contributing to your super and retirement). This will include the use of digital communications to raise awareness and understanding, for example of GESB’s insurance cover and premiums, and of how salary sacrificing can improve retirement outcomes.

**2.2. Digital member engagement**

The Board has identified increased use of technology to better engage with and service members as a key strategic area of focus for 2021/22 and into the future.

Our digital strategy will continue to evolve, aiming to improve the efficiency and effectiveness of the digital channel as a self-service, information distribution and communication tool, to increase the efficiency of member interactions with GESB and member awareness and engagement with their superannuation. Our vision is to have digital as the first, and often only channel used by members to support their information needs, allowing them to easily transact and improve their long-term superannuation benefits.

We commenced issuing member statements electronically as the default method from June 2018 and in 2019 we introduced digital statement summaries. The digital statement summary allows members to easily view a summary of their account balance, insurance and other key information. It provides links for downloading their full statement and accessing calculators and other information, and includes a retirement income projection where appropriate.
The Online Member Engagement Strategy (OMES) commenced in 2018 and is ongoing. It is focused on delivering tools and information around two key member information needs – contributions and investments. Tools include videos, calculators and structured website content. The programme will be extended to include insurance and retirement.

We are increasingly moving to online rather than paper forms for members, unless they specifically request otherwise.

**Initiatives**

- **New MOL**
  The MOL portal is key to achieving our objective of delivering a positive and efficient member experience through digital channels.

  The aim is for MOL to be the central access point used by members for information, transactions and communication. This can be achieved by enhancing the systems to include an online document centre, develop an online form capability and deliver more personalised information.

  Our current MOL has reached end of life and requires a full upgrade, therefore we are intending to implement a new MOL solution that enables us to deliver on members’ expectations and prevailing industry better standards.

- **Default eCommunication**
  We have implemented electronic communication by default for compliance-related documents and we are increasingly employing electronic delivery of other member correspondence such as confirmations of investment switches and contributions received. This includes the use of SMS messaging for member-initiated actions. The implementation of a new MOL including an online document centre will help facilitate this initiative.

- **‘Voice of the customer’ program**
  We continue to analyse the experience different cohorts of members have with us to identify service provision enhancements. We are implementing a Voice of the Customer program, bringing together and analysing member feedback from a variety of sources, in order to identify gaps in service provision and service improvement opportunities. We are currently conducting a deep dive of our member satisfaction data to determine if there are differing satisfaction levels for certain cohorts.

2.3. **Give primacy to our members’ perspective and be their advocate for appropriate outcomes**

Our focus is on improving support and services to members when they are in vulnerable positions, for example financial hardship.

2.3.1. **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 building strong, respectful partnerships with Aboriginal and Torres Strait Islander peoples and communities is essential in achieving reconciliation.

Our first RAP helped us clarify our vision for reconciliation, and scope and develop initiatives for improved outcomes and more engagement with Aboriginal and Torres Strait Islander peoples. In September 2020 we launched our ‘Innovate’ RAP, moving us into the second phase of reconciliation. Our aim is to continue to develop our RAP and improve our services to Aboriginal and Torres Strait Islander members.

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 Traditional Owners at the commencement of all Board and Committee meetings, relevant staff meetings and member seminars.
We have identified a number of initiatives as part of our Innovate RAP phase, including implementation of a cultural learning strategy for our staff and undertaking research to understand the barriers and enablers that impact financial outcomes for Aboriginal and Torres Strait Islander members.

2.3.2. Complaints

GESB considers 'any expression of dissatisfaction with our products or services where a response is expected' to be a complaint. Members can make a complaint verbally or in writing.

GESB’s complaints process comprises three main steps:
1. Front-line complaints – investigated by a specialist team at Link
2. Internal reviews – reviewed by an independent person within GESB
3. Australian Financial Complaints Authority (AFCA) – external complaints resolution body (which superseded the Superannuation Complaints Tribunal (SCT) for superannuation complaints)

A complaint may progress to each stage depending on the member’s acceptance of the outcome of the prior stage. Members might also lodge their complaint with GESB’s responsible minister, the Treasurer of Western Australia.

All front-line complaints are acknowledged within two business days and a full response is provided to the complainant within 30 business days.

Initiatives

- **Financial counsellors**
  We have formed a partnership with the Financial Counsellors of WA, which helps Aboriginal and Torres Strait Islander peoples who live outside Perth. We are conducting a survey with the counsellors to further understand the experience they have when contacting GESB for their clients and to identify areas of improvement.
  GESB’s KAM team will be attending the WA Conference in 2021, providing Counsellors with information and education on GESB’s products and services so that they can further assist their clients.

- **Financial hardship and compassionate payment requests**
  We are currently undertaking a comprehensive review of our processes, communication materials and forms in collaboration with the Link administration team to streamline financial hardship and compassionate grounds early release applications in order to make this an easier and more streamlined process for members who are already under considerable distress.

- **Deceased estates**
  A deceased estates project has been established in order to:
  - Ensure any insured benefit that is available to a member’s estate is included in a member’s account
  - Streamline processes for deceased estates where no claim has been made, such as transferring these accounts to the ATO
  - Utilise new methods of identifying deceased estates such as registry information across a number of states

- **Accessibility**
  Despite being successful in making our website, MOL portal and calculators accessible, we will continue to focus on making all information and content accessible to all members.

- **Diversity and Inclusion**
  We are committed to providing services to the diverse Western Australian community, 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 2020/21 has been developed to align and support the achievement of our strategic objectives.

- **Multicultural access plan (MAP) 2020/21**
  Our MAP 2020/21 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, both internally and externally.

- **Complaints**
  Although we receive low numbers of complaints, complaints are a key source of information regarding members’ experience with GESB. To more fully understand emerging trends and drivers of complaints, we will be implementing a comprehensive complaints management system during the 2021/22 financial year.
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 constant improvement in operating efficiency, combined with maintenance of economies of scale. A key focus for GESB is to continue to provide ‘value for money’ to members and the State through containment of operating costs.

3.1.1 Management of key services provider contracts

The objectives of the GESB-Link fund administration agreement are to:

- Deliver a long-term value for money outcome for members and the State
- Position GESB to continue delivering benefits to members in a changing superannuation environment
- Enable GESB to adapt to future market conditions and mitigate risks through ongoing access to expertise and technology
- Help to reduce the cost impacts of Commonwealth and State reforms and avoid a longer-term rise in defined benefit costs by leveraging the enhanced scale and lower costs available through a specialist external service provider

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 realised. Governance and oversight structures have been established and resources allocated to ensure adherence to the Administration Services Agreement in place with Link.

During this SDP period, GESB will work with the Department of Finance concerning the procurement of administration services as the Link Administration contract is due to expire on 30 June 2024. In addition to the administration contract with Link, GESB also has other significant supplier contracts and other smaller outsourced contracts. Details of the material contracts are outlined in the following table:

**GESB material contracts**

<table>
<thead>
<tr>
<th>Contract</th>
<th>Total awarded value</th>
<th>Commencement date</th>
<th>Contract term</th>
</tr>
</thead>
<tbody>
<tr>
<td>Link (Fund Administration)</td>
<td>$195m</td>
<td>1 July 2014</td>
<td>10 years (5-year initial term with 1 x 5-year extension option)</td>
</tr>
<tr>
<td>JANA (Asset Consultant)</td>
<td>$7.7m</td>
<td>1 April 2014</td>
<td>10 years (7-year initial term with 3 x 1-year extension options)</td>
</tr>
<tr>
<td>Northern Trust (Custodian)</td>
<td>$79.4m</td>
<td>1 April 2015</td>
<td>15 years (10-year initial term with 5 x 1-year extension options)</td>
</tr>
<tr>
<td>AIA Australia (Insurance Services)</td>
<td>$940m</td>
<td>1 July 2016</td>
<td>9 years (5-year initial term with 2 x 2-year extension options)</td>
</tr>
</tbody>
</table>

Sound management of these contracts, through compliance with State Government procurement processes and ensuring GESB employees have the relevant skills to manage the contracts, is required to ensure GESB continues to operate efficiently and effectively for members and the State. Contract management responsibility is vested in our Divisional General Managers who are supported by relevant Divisional officers.

GESB remains focused on putting members first and has an ongoing commitment to achieve value for money, manage risk and maintain the quality and level of services to members (and employers) in an environment where material business activities are outsourced.

**Initiatives**

- **Material contract renewals**

  During this five-year SDP period, three of our material contracts will be up for renewal, including the Link Administration contract in June 2024. Work on reviewing this contract
has commenced and will require considerable resourcing to ensure our members continue to benefit from value for money services and products. The asset consultant contract renewal process has already commenced. The insurance services renewal process will commence in advance of June 2025.

3.2. Implementation of relevant State and Commonwealth reforms

As discussed earlier, although we are not APRA regulated, we conform with the principles of the Commonwealth’s retirement income policy to the best of our endeavours. The following superannuation reforms will be reviewed with respect to relevant impacts and initiatives. Other Commonwealth and State legislative or regulatory changes will also be assessed regarding potential impacts on GESB.

Initiatives

- **Your Future, Your Super reforms**
  Although this proposed legislation is not directly applicable to the WA Public Sector, we may be able to opt into the regime in the future. In consultation with Department of Treasury, we will be reviewing the changes and considering the impacts they will have on members, WA public sector employers and fund sustainability prior to making recommendations to the State Government. This will include a review of our operating model as these changes will potentially have a significant impact on GESB, our members and State employers.

- **Treasury Laws Amendment PMIF and PYS packages**
  Details regarding our implementation of these packages are provided in the section titled ‘Insurance our members can rely on’ below (page 25).

- **Retirement Income Review**
  Ageing demographics and increasing flow of funds into retirement products are leading to an increased focus on the adequacy of retirement income solutions and evidence of appropriate strategies to ensure longevity of income for this group. We will be monitoring any policy changes coming out of the Retirement Income Review and other reviews to ensure we have an appropriate retirement strategy for our retired and retiring members.

- **Other legislative initiatives**
  Superstream rollover MIG v3 and Self-Managed Superannuation Fund (SMSF) rollovers is a significant Link-managed project to extend the SuperStream Rollover messaging to include SMSFs and digital release authorities. The transition period for implementation and onboarding of SuperStream Rollover MIG v3 is from 31 March 2021 to 30 September 2021. Approval has been received from the Treasurer to draft regulations to enable members to nominate beneficiaries through a Binding Death Nomination (BDN). It is anticipated that the regulations will come into effect in the latter part of the 2021/22 financial year.

3.3. Administration efficiency

We continue to manage costs and provide cost-effective 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 2021/22 is $171. This is below the median for all superannuation funds and reflects our focus on cost efficiency14.

3.3.1. Capital expenditure

We expect to invest approximately $525,000 in capital programs during 2021/22. It is expected that $525k (2021/22) to $587k (2025/26) in capital programs per annum will be required by GESB during the five-year SDP period. Capital expenditure is depreciated in accordance with

14 SuperRatings Annual Benchmarking Survey, February 2021
accounting standards, reflected in administration expenses by scheme, and recovered through fees and charges.

Consideration is 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 for network and records management infrastructure and Squiz for our public website.

3.3.2. Reserves

GESB’s superannuation and retirement schemes should generate sufficient revenue to cover all allocated fixed and variable scheme costs.

Net excess of income over costs for the market-linked schemes is transferred to an Operational Risk Reserve (ORR) established to be used in the event of an adverse operational event.

The ORR, as at the end of June 2020, was 29 basis points (bps) of the Accumulation and Retirement Product FUM. As per the GESB Reserving Strategy, the target amount for the ORR for the accumulation and retirement income schemes is 26 bps of scheme FUM, with a tolerance band of ±5 bps around the target ORR.

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.

As the closed WSS scheme diminishes as benefits are paid out over time, the WSS AGR may also be used to mitigate rising cost-per-member impacts.

Reserves in excess of the ORR’s upper band are transferred to the AGR, which has a target level of 20-40 bps of scheme FUM. If the ORR moves below the targeted range, funds may be transferred back from the AGR to bring the ORR back within its target range. The AGR, as at the end of June 2020, was 47 bps of the Accumulation and Retirement Product FUM.

GESB continues to utilise the AGR for applicable strategic initiatives as well as Commonwealth and legislative reforms. These reserve appropriations are reflected in the current five-year projections.

The Board undertakes an annual review aimed at ensuring that GESB’s pricing and reserving policies remain aligned to both our pricing principles and the target levels of ORR and AGR reserves. It should be noted that the WSS AGR currently materially exceeds its target level. This will continue to be monitored and will be addressed via the annual pricing reviews undertaken by the Board.

Initiatives

- **Fee Rebate – West State Members**

  The *State Superannuation Regulations 2001* were amended in 2017 to provide for the Board to transfer amounts from reserves to member accounts. This enables GESB to ensure that its reserves are maintained within the parameters set by its reserving policy and, if necessary, return any ‘excess’ reserves to members.

  As part of GESB’s continuing commitment to efficient operations and providing cost-effective products to members, we are in the process of looking to bring the AGR to within target levels. A proposal is currently being formulated in consultation with the GESB Board and KPMG.

3.4. Products

Under our corporate purpose to be an excellent provider of superannuation, we focus on providing high-quality, value-for-money default products and services. Implementation of new products is typically only in response to legislative or regulatory change. We do, however, monitor product performance and strategy to ensure we continue to meet member needs and are aligned to Commonwealth retirement income policy.
GESB’s default plans for WSS and GESB Super are aligned to the requirements set out in the WA Treasurer’s Stronger Super Guidelines. As with MySuper requirements across all super funds, annual scale assessments are conducted to demonstrate that GESB’s MySuper members are not disadvantaged by being in these MySuper equivalent products. The annual member outcomes assessment will replace the scale assessment from 2020/21 as part of the Commonwealth’s Improving Accountability and Member Outcomes legislative changes.

**Initiatives**

- **Binding death nominations (BDNs)**

  Superannuation is not considered as part of an overall estate, and funds will generally pay a death benefit in accordance with the governing rules of the fund and relevant law. The SSR require payment of GESB benefits to the executor or administrator of the member’s estate.

  BDNs allow members to nominate one or more dependents or legal representatives as the beneficiary of their death benefit, without the need for the benefit to transition through their estate. A superannuation fund is not required to offer or accept BDNs. However, many funds choose to do so because of the advantages BDNs can offer members.

  It is anticipated that regulations providing for GESB to accept BDNs will be enacted in the latter part of the 2021/22 financial year.

3.5. **Insurance members can rely on**

We provide Total and Permanent Disablement (TPD) and Salary Continuance Insurance (SCI) for GESB Super and WSS members as part of their superannuation benefit, through group insurance policies with our Insurer, AIA.

Our focus is on providing appropriate insurance cover that provides flexible, easy to use, value for money insurance products that members can rely on while not inappropriately eroding members’ superannuation balances.

**Initiatives**

- **Legislated changes**

  A focus for the coming year will be continuing to implement elements of the Insurance in Superannuation Voluntary Code of Practice that benefit GESB’s members. We’ll also be responding to the changes to insurance in superannuation from the Commonwealth’s PYS and PMIF legislative packages, within the context of GESB’s statutory framework.

- **Insurance awareness and variations**

  We are taking advantage of upgrades to our administration systems to allow us to proactively contact members we’ve identified as being in situations in which they may be eligible to claim against their insurance.

  As our insurance provider, AIA, continues to invest in its systems, we will work to make modernised insurance underwriting and claims systems available to our members, to make it easier them to amend their insurance to better suit their needs, and make the claims process easier for them at time of claim.

3.6. **Supporting employers in meeting their superannuation obligations efficiently and effectively**

Employers across the WA public sector are key stakeholders in GESB.

Our focus is on:

- Supporting employers to meet their obligations under State Policy on SuperStream through the provision of Employer Online, GESB’s secure online employer contributions portal
- Increasing engagement with employers to improve efficiencies and strengthen the exchange and quality of information between GESB and employer agencies
- Maintaining and improving the quality of services to employers, including information and awareness activities for members and employers.
State Government employers are highly satisfied with GESB’s services, for example providing workplace education sessions to employees (GESB members) and assisting agencies to meet their superannuation obligations.

Growing and maintaining strong employer relationships remains a core objective for GESB’s KAM team. The KAM team actively engages with key stakeholders, across all State Government agencies, to ensure that they remain highly satisfied with GESB’s services, as well as those provided by Link.

GESB’s webinar-based information program is continually expanding to reach a greater number of members, particularly in regional areas. Tailored education programs have been developed in partnership with some agencies to meet specific needs of their workforce, such as the 'Into your Comfort Zone' program for the Department of Education, which addresses the retirement concerns and financial literacy gaps of its employees.

As Link is delivering administration services directly to employers, service standards and measures have been developed to ensure high levels of services are maintained. Processes are in place between GESB’s 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 in fulfilling their superannuation obligations, improve understanding and efficiencies, and provide support should issues arise.

In 2020, the KAM team successfully implemented an upgrade to Employer Online (ePass), GESB’s secure online employer contributions portal. This upgrade improved a number of processes and enhanced information security for users.

**Initiatives**

- **Employer data integrity**
  The KAM team, in conjunction with Link, will be conducting an Employer Data Integrity Project over the coming year to enhance the quality of member data submitted by employers on ePass. This will reduce the amount of administration re-work correcting member information and will positively impact timeframes for paying member benefits.

- **Your Future, Your Super**
  The KAM team will be working closely with WA public sector employers to implement any relevant Your Future, Your Super reforms over the coming years. As mentioned above, EPSSSs including GESB are not within the scope of the legislation, however the Board will consider options for GESB and the State to respond to these Commonwealth reforms.

**Objective 4: Positive culture and stakeholders**

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

4.1.1. **Highly regarded by stakeholders**

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

Key focus areas to ensure we achieve this objective include:

- Creating and maintaining a positive, high-performing culture within GESB and with external service providers
- Professional development programs around skills relevant to delivery of GESB’s objectives and aligned to career development for employees
- Effective succession plan management and corporate knowledge capture
- Effective embedding of GESB’s corporate governance framework to ensure staff are focused on personal conduct, ethics, risk, cyber security and effective contract management
4.1.2. COVID-19

In March 2020, we were well placed to implement working from home arrangements required in response to the COVID-19 pandemic. GESB has provided every staff member with a laptop and Virtual Private Network (VPN) access since early 2017, meaning the transition to working from home was implemented seamlessly.

We had a very positive experience with staff working from home during COVID-19 restrictions and since then we have seen increased participation in our long-standing Home Based Work Policy. Around 36 of 60 staff now work from home one or two days per week. We employed a market research consultant to conduct qualitative research with staff on the effectiveness and success of our response to COVID-19, to inform our risk management and business continuity strategies into the future. A total of 51 employees participated in the research.

4.1.3. Corporate governance framework

Effective corporate governance supports compliance with regulatory and legal requirements as well as providing support for an organisation to act ethically and responsibly and do what is right for its stakeholders. It is underpinned by transparent disclosure, effective communication and proper measurement and accountability across the organisation.

During 2020 we enhanced our corporate governance framework document, incorporating nine governance principles in addition to internal controls, ethics, risk functions, policies and procedures, and internal and external audit.

A summary of the framework has been developed and distributed across GESB as part of a program to ensure it is embedded across the organisation (Appendix E).

Initiatives

- **PeopleStreme performance management**
  
  In 2020 we implemented an online performance management and succession planning tool, PeopleStreme, to assist staff in achieving their business objectives, work closely with their managers on building their competencies, and receive feedback on how they meet GESB’s values and align with its ‘moral compass’. We will continue to develop and embed this tool within the organisation.

  We are also planning to utilise an online E-recruitment and Onboarding module via PeopleStreme to assist with the internal identification of suitable candidates for new roles and use the latest online tools to assist with induction and ongoing learning.

- **Positive culture**
  
  We are planning to utilise results of staff qualitative research to design a new staff survey that measures culture, the work environment, perceptions of working at GESB, and how well we are achieving our corporate cultural goals.

  We are also introducing annual staff sessions on ethical decision-making, incorporating GESB’s ‘moral compass’, which describes GESB’s expectations and aspirations for our ethical, interpersonal and cultural environment and behaviours.

- **Governance**
  
  Following on from development of our corporate governance framework, we are introducing an online training module to ensure staff understand how the framework applies in practice and provide them with tools and assistance in ethical decision making.

  We are also introducing an online IT security module that is based on our policies, procedures and business activities to ensure staff are consistently reminded on the importance of keeping information safe and secure.
Appendices

Appendix A - financial forecasts and related matters

A.1. Summary of financial forecasts and projections

The five-year projection for GESB’s revenue, expenses and overall financial position is set out in the following sections.

Total FUM is projected to increase from $34.7bn at 30 June 2022 to $42.1bn at 30 June 2026. FUM is reported in the financial statements as investments plus cash and cash equivalents.

A.2. Assumptions

GESB’s five-year forecast has been prepared using the following assumptions:

<table>
<thead>
<tr>
<th>Area</th>
<th>Assumption Description</th>
<th>Detail</th>
<th>21/22</th>
<th>22/23</th>
<th>23/24</th>
<th>24/25</th>
<th>25/26</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions</td>
<td>SG Contribution Levels</td>
<td>Reflects legislated increase in SG contributions by Federal Reform</td>
<td>10.0%</td>
<td>10.5%</td>
<td>11.0%</td>
<td>11.5%</td>
<td>12.0%</td>
</tr>
<tr>
<td></td>
<td>Member Contribution growth rate</td>
<td>Linked to the agreed Public Sector Wages Policy Statement (2016)</td>
<td>1.50%</td>
<td>1.75%</td>
<td>2.00%</td>
<td>2.25%</td>
<td>2.25%</td>
</tr>
<tr>
<td>GESB Admin Expenses</td>
<td>Salary growth rate</td>
<td>1.50%</td>
<td>1.75%</td>
<td>2.00%</td>
<td>2.25%</td>
<td>2.25%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Capital expenditure</td>
<td>IT systems maintenance &amp; upgrades</td>
<td>$515k</td>
<td>$530k</td>
<td>$546k</td>
<td>$563k</td>
<td>$580k</td>
</tr>
<tr>
<td></td>
<td>Outsourced Contract</td>
<td>50% WPI and 50% CPI</td>
<td>1.50%</td>
<td>1.75%</td>
<td>1.88%</td>
<td>2.13%</td>
<td>2.13%</td>
</tr>
<tr>
<td></td>
<td>Rent Agreement</td>
<td>4% Annually</td>
<td>4.0%</td>
<td>4.0%</td>
<td>4.0%</td>
<td>4.0%</td>
<td>4.0%</td>
</tr>
<tr>
<td>Other</td>
<td>Investment returns per annum before tax</td>
<td>Medium term investment rates</td>
<td>5.5%</td>
<td>5.5%</td>
<td>5.5%</td>
<td>5.5%</td>
<td>5.5%</td>
</tr>
</tbody>
</table>

Notes

1. An investment return of 5.5% is applied for 2021/22
2. The Salary Growth Rate assumption is derived directly from The Department of Treasury (treasury.wa.gov.au/Treasury/Economic_Data/Economic_Forecasts/)

A.3. Accounting policies

GESB prepares its annual audited financial statements in accordance with Australian Accounting Standards, including AASB 1056 Superannuation Entities, amendments to Australian Accounting Standards and other authoritative pronouncements of the AASB as applied by the Treasurer’s Instructions (TI) and the SSA. It should be noted that GESB has complied with the new accounting standard AASB 1056 from the period starting 1 July 2016.
A.4. Projected financials - GESB

A.4.1. Statement of changes in net assets

<table>
<thead>
<tr>
<th>For the Financial Year Ending 30th June</th>
<th>Projected 2021/22</th>
<th>Projected 2022/23</th>
<th>Projected 2023/24</th>
<th>Projected 2024/25</th>
<th>Projected 2025/26</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Assets available to pay Benefits at the beginning of the Financial year</td>
<td>$32,699,435</td>
<td>$34,764,193</td>
<td>$36,742,666</td>
<td>$38,627,688</td>
<td>$40,420,555</td>
</tr>
</tbody>
</table>

REVENUE
Investment Revenue
- Realised Income: $568,543
- Unrealised changes in NMV of Investment assets: $568,543
- Realised changes in NMV of Investment assets: $758,057

Income from investments \(^1\) $1,895,143

Superannuation Revenue
- Contributions
  - Member: $177,189
  - Employer: $1,910,303
  - Inward Transfers: $950,098
  - Member Insurance Benefits Received: $51,065
- Other Income: $7,594

Profit Before Income Tax: $4,084,971

EXPENSES
- Superannuation Benefit Payments: $3,446,628
- Administration Expenses: $46,818
- Group Life Insurance Premiums: $110,483
- Investment Expenses: $90,620
  - Changes in NMV of financial liabilities: $288
- Loan Interest: $7,594

Profit After Income Tax: $4,084,971

Total Revenue: $5,980,114

Total expenses after tax: $3,695,037

Changes in net assets before income tax: $2,285,077

Income tax: $220,319

Changes in Net Assets After Income Tax: $2,064,759

Net Assets available to pay Benefits at the end of the Financial year: $34,764,193

Total budgeted administration expenses for 2021/22 are $46,818k. This excludes depreciation of $288k, investment administration expenses of $2,405k and user pays income of $851k.

A.4.2. Statement of net assets

<table>
<thead>
<tr>
<th>For the Financial Year Ending 30th June</th>
<th>Projected 2021/22</th>
<th>Projected 2022/23</th>
<th>Projected 2023/24</th>
<th>Projected 2024/25</th>
<th>Projected 2025/26</th>
</tr>
</thead>
</table>
| Assets
  - Cash and Cash Equivalents: $14,685
  - Investments: $34,807,197
  - Intangible Assets: $560
  - Receivables: $17,541
  - Prepayments: $819
  - Deferred Tax Assets: $5,582
| TOTAL ASSETS | $34,846,553 | $36,826,467 | $38,712,956 | $40,507,528 | $42,212,431 |
| Liabilities
  - Contributions paid in advance: $1,947
  - Unpaid and Accrued Liabilities: $230
  - Payables: $26,770
  - Provision for employee entitlements: $1,228
  - Provision for post employment liabilities: $546
  - Interest bearing loans & borrowings: $- |
| TOTAL LIABILITIES | $82,360 | $83,801 | $85,268 | $86,973 | $88,712 |
| Net assets available to pay benefits | $34,764,193 | $36,742,666 | $38,627,688 | $40,420,555 | $42,123,719 |
### A.4.3. Statement of net assets by scheme

<table>
<thead>
<tr>
<th>For the Financial Year Ending 30th June</th>
<th>Projected 2021/22 $'000</th>
<th>Projected 2022/23 $'000</th>
<th>Projected 2023/24 $'000</th>
<th>Projected 2024/25 $'000</th>
<th>Projected 2025/26 $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Defined Benefit Schemes (Gold State and Pension Scheme)</td>
<td>2,952,188</td>
<td>2,902,543</td>
<td>2,850,645</td>
<td>2,799,104</td>
<td>2,740,609</td>
</tr>
<tr>
<td>West State Scheme</td>
<td>18,904,265</td>
<td>19,476,387</td>
<td>19,844,363</td>
<td>19,996,328</td>
<td>19,928,667</td>
</tr>
<tr>
<td>GESB Super</td>
<td>6,371,532</td>
<td>7,410,679</td>
<td>8,505,418</td>
<td>9,663,571</td>
<td>10,892,450</td>
</tr>
<tr>
<td>Retirement Income - Allocated Pension</td>
<td>6,267,177</td>
<td>6,679,364</td>
<td>7,147,075</td>
<td>7,672,940</td>
<td>8,262,764</td>
</tr>
<tr>
<td>Retirement Income - Term Allocated Pension</td>
<td>16,329</td>
<td>14,866</td>
<td>13,374</td>
<td>11,829</td>
<td>10,360</td>
</tr>
<tr>
<td>Reserves</td>
<td>252,702</td>
<td>258,827</td>
<td>266,812</td>
<td>276,783</td>
<td>288,868</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>34,764,193</td>
<td>36,742,666</td>
<td>38,627,688</td>
<td>40,420,555</td>
<td>42,123,719</td>
</tr>
</tbody>
</table>

### A.4.4. Administration expenses allocated to schemes

Total budgeted cost allocations for 2021/22 are $48,899k. These include administration expenses of $49,511k and user pays income of $612k.

<table>
<thead>
<tr>
<th>For the Financial Year Ending 30th June</th>
<th>Projected 2021/22 $'000</th>
<th>Projected 2022/23 $'000</th>
<th>Projected 2023/24 $'000</th>
<th>Projected 2024/25 $'000</th>
<th>Projected 2025/26 $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gold State</td>
<td>4,638</td>
<td>4,181</td>
<td>3,982</td>
<td>3,786</td>
<td>3,580</td>
</tr>
<tr>
<td>Pension Scheme</td>
<td>1,458</td>
<td>1,347</td>
<td>1,279</td>
<td>1,213</td>
<td>1,149</td>
</tr>
<tr>
<td>West State Super</td>
<td>16,426</td>
<td>15,073</td>
<td>14,808</td>
<td>14,538</td>
<td>14,264</td>
</tr>
<tr>
<td>GESB Super</td>
<td>16,124</td>
<td>15,818</td>
<td>15,534</td>
<td>15,278</td>
<td>15,051</td>
</tr>
<tr>
<td>Retirement Income - Allocated Pension</td>
<td>6,875</td>
<td>7,139</td>
<td>7,552</td>
<td>7,963</td>
<td>8,371</td>
</tr>
<tr>
<td>Retirement Income - Term Allocated Pension</td>
<td>104</td>
<td>105</td>
<td>109</td>
<td>112</td>
<td>115</td>
</tr>
<tr>
<td>Parliamentary &amp; Judges</td>
<td>507</td>
<td>518</td>
<td>532</td>
<td>546</td>
<td>561</td>
</tr>
<tr>
<td>Government Services</td>
<td>362</td>
<td>368</td>
<td>375</td>
<td>383</td>
<td>391</td>
</tr>
<tr>
<td>Investment Expenses</td>
<td>2,405</td>
<td>2,689</td>
<td>2,746</td>
<td>2,804</td>
<td>2,864</td>
</tr>
<tr>
<td><strong>TOTAL COST ALLOCATIONS</strong></td>
<td>48,899</td>
<td>47,238</td>
<td>47,917</td>
<td>48,624</td>
<td>49,348</td>
</tr>
</tbody>
</table>

### A.4.5. Capital expenditure budget

The table below shows GESB's capital expenditure forecasted on major projects for the next five years.

<table>
<thead>
<tr>
<th>For the Financial Year Ending 30th June</th>
<th>Projected 2021/22 $'000</th>
<th>Projected 2022/23 $'000</th>
<th>Projected 2023/24 $'000</th>
<th>Projected 2024/25 $'000</th>
<th>Projected 2025/26 $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intangibles Inc Computer Software Development</td>
<td>500</td>
<td>515</td>
<td>530</td>
<td>546</td>
<td>562</td>
</tr>
<tr>
<td>Office Furniture, Equipment &amp; Renovations</td>
<td>25</td>
<td>25</td>
<td>25</td>
<td>25</td>
<td>25</td>
</tr>
<tr>
<td><strong>TOTAL CAPITAL EXPENDITURE</strong></td>
<td>525</td>
<td>540</td>
<td>555</td>
<td>571</td>
<td>587</td>
</tr>
</tbody>
</table>

### A.4.6. 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 DB administration that are recouped by Consolidated Account Appropriation.

<table>
<thead>
<tr>
<th>For the Financial Year Ending 30th June</th>
<th>Projected 2021/22 $'000</th>
<th>Projected 2022/23 $'000</th>
<th>Projected 2023/24 $'000</th>
<th>Projected 2024/25 $'000</th>
<th>Projected 2025/26 $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benefit Payments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gold State</td>
<td>282,768</td>
<td>286,984</td>
<td>283,727</td>
<td>285,682</td>
<td>282,042</td>
</tr>
<tr>
<td>Pension Scheme</td>
<td>151,437</td>
<td>142,842</td>
<td>134,469</td>
<td>126,886</td>
<td>119,449</td>
</tr>
<tr>
<td>Parliamentary Pension Scheme</td>
<td>11,140</td>
<td>9,862</td>
<td>10,064</td>
<td>10,317</td>
<td>10,576</td>
</tr>
<tr>
<td>Judges Pension Scheme</td>
<td>18,674</td>
<td>20,319</td>
<td>22,052</td>
<td>23,875</td>
<td>25,794</td>
</tr>
<tr>
<td><strong>Total Recoup of Benefit Payments</strong></td>
<td>464,019</td>
<td>459,971</td>
<td>450,311</td>
<td>446,760</td>
<td>437,861</td>
</tr>
<tr>
<td>Administration Expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gold State</td>
<td>4,638</td>
<td>4,181</td>
<td>3,982</td>
<td>3,786</td>
<td>3,580</td>
</tr>
<tr>
<td>Pension Scheme</td>
<td>1,458</td>
<td>1,347</td>
<td>1,279</td>
<td>1,213</td>
<td>1,149</td>
</tr>
<tr>
<td>Parliamentary Pension Scheme</td>
<td>274</td>
<td>280</td>
<td>287</td>
<td>295</td>
<td>303</td>
</tr>
<tr>
<td>Judges Pension Scheme</td>
<td>233</td>
<td>238</td>
<td>245</td>
<td>251</td>
<td>258</td>
</tr>
<tr>
<td>Government Services</td>
<td>362</td>
<td>368</td>
<td>375</td>
<td>383</td>
<td>391</td>
</tr>
<tr>
<td><strong>Total Recoup of Administration Expenses</strong></td>
<td>6,965</td>
<td>6,414</td>
<td>6,169</td>
<td>5,929</td>
<td>5,682</td>
</tr>
<tr>
<td><strong>Total Consolidated Account Recoup</strong></td>
<td>470,983</td>
<td>466,385</td>
<td>456,480</td>
<td>452,690</td>
<td>443,544</td>
</tr>
</tbody>
</table>
Appendix B – GESB’s operating environment

B.1. Accountability structure

GESB’s current structure is:

B.2. Products and pricing principles

B.2.1. Superannuation Schemes profile

GESB is responsible for management of seven schemes – Gold State Super (GSS), WSS, GESB Super, Retirement Income (RI) and Retirement Income – Term Allocated Pension (RI TAP). GESB also administers the State Pension Scheme (PS) and Parliamentary and Judges pension schemes on behalf of the State. The GSS, WSS, PS and RI TAP schemes and Parliamentary Pension Scheme are not available to new members.

The following tables provide information on the membership status of the public sector superannuation schemes and retirement products administered by GESB.

Western Australia's Public Sector Schemes – membership status as at 30 June 2020

<table>
<thead>
<tr>
<th>No of member accounts</th>
<th>Pension Scheme</th>
<th>GSS</th>
<th>WSS</th>
<th>GESB Super</th>
<th>RI</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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<tr>
<td>Contributors</td>
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<td></td>
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<tr>
<td>35¹</td>
<td></td>
<td>6,655</td>
<td>73,557</td>
<td>91,051</td>
<td></td>
<td>272,593</td>
</tr>
<tr>
<td>Recipients</td>
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<tr>
<td>4,901</td>
<td></td>
<td>22,937</td>
<td>40,532</td>
<td>16,500</td>
<td>134</td>
<td></td>
</tr>
</tbody>
</table>

¹ Pension scheme data includes the Provident Account (n = 2 as at June 2020)

² A member may be a member of more than one scheme

GESB also administers the Parliamentary Pension Scheme (PPS) (with 4 contributing members and 112 pensioners as at 30 June 2020) and Judges Pension Scheme (JPS) (with 52 active members and 73 pensioners as at 30 June 2020) on behalf of the Parliamentary Superannuation Board and the Treasurer respectively. These schemes are wholly unfunded and not included in the GES Fund.
### Key features of Western Australia’s State Public Sector Superannuation Schemes

<table>
<thead>
<tr>
<th>Scheme</th>
<th>GSS</th>
<th>WSS</th>
<th>GESB Super</th>
<th>RI - Pension</th>
<th>RI - TAP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Status</td>
<td>Closed to new members from 15 August 1986</td>
<td>Closed to new members 30 December 1995</td>
<td>Open to new members 15 April 2007</td>
<td>Open to new members from 16 April 2007</td>
<td>Closed to new members from 20 September 2007</td>
</tr>
<tr>
<td>Scheme type</td>
<td>Untaxed salary linked, unit-based defined benefit lifetime pension scheme</td>
<td>Untaxed defined benefit lump sum scheme (Notional employer contribution of 15%)</td>
<td>Untaxed defined contribution scheme with guaranteed benefit of balance at 30 June 2001 plus CPI + 2% per annum</td>
<td>Taxed defined contribution scheme with market-linked returns</td>
<td>Tax exempt allocated pension income stream product with market-linked returns</td>
</tr>
<tr>
<td>Scheme type</td>
<td></td>
<td></td>
<td>Market-linked returns since 1 July 2001</td>
<td>Compulsory (statutory) employer contribution. Currently 9.5%</td>
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</tr>
<tr>
<td>Scheme type</td>
<td></td>
<td></td>
<td>Compulsory (statutory) employer contribution.</td>
<td></td>
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</tr>
<tr>
<td>Member contribution</td>
<td>Up to a maximum number of contribution units based on salary</td>
<td>Compulsory - up to 5% of salary</td>
<td>Voluntary contribution</td>
<td>Lump-sum superannuation rollover</td>
<td>Lump-sum superannuation rollover</td>
</tr>
<tr>
<td>Member contribution</td>
<td>Up to 7% contribution catch up until average contribution reaches 5%</td>
<td>Spouse contribution</td>
<td>Spouse contribution</td>
<td>Cannot accept additional contributions or rollovers, there are no provisions to top up with additional contributions after the commencement of the pension</td>
<td>Cannot accept additional contributions or rollovers, there are no provisions to top up with additional contributions after the commencement of the pension</td>
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<td>Member contribution</td>
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<td>Voluntary contribution</td>
<td>Voluntary contribution</td>
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<td>Flexibility to adjust income payments, subject to Commonwealth minimum limits</td>
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<td>Member contribution</td>
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<td>Members contribution</td>
<td>Lump-sum superannuation rollover</td>
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<td>Lump-sum withdrawals</td>
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<td>Member contribution</td>
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### Appendix C – Industry, regulatory and fund operating environment

#### C.1. Superannuation industry trends

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<th>Area</th>
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<tr>
<td><strong>FUM growth</strong></td>
<td>Superannuation assets totalled $2.9tn at the end of June 2020, a 0.6% increase over the previous 12 months. Growth in FUM was impacted by COVID-19 early release payments, reduced super guarantee inflows and negative investment performance for 2019/20. COVID-19: It is estimated COVID-19 will cost the Australian super industry $3 tn in foregone growth. Forecasts for the next two decades have been reduced from $10tn to $7tn due to recession, increased unemployment, lower superannuation contribution levels, lower long-run super fund earnings expectations and lower population growth.</td>
</tr>
<tr>
<td><strong>Performance</strong></td>
<td>The annual rate of return for the year ended June 2020 was -0.9%. The five-year average annualised rate of return to June 2020 was 5.3% and the 10-year average annualised rate of return to June 2020 was 6.9%. The markets have since returned to pre-COVID levels however returns are still likely to be volatile in the near future.</td>
</tr>
<tr>
<td><strong>Net funds flow</strong></td>
<td>Net outflow ratio is a strong forward-looking measure in relation to ongoing sustainability of super funds and is a key metric identified by APRA. In 2019/20, 50% of funds had negative net funds flow.</td>
</tr>
<tr>
<td><strong>Membership growth</strong></td>
<td>Total account growth has also been identified by APRA as a key sustainability metric. Fund membership growth across the industry continues to be negative for the 8th straight year as a result of the Commonwealth focus on account consolidation, including the transfer of lost and inactive accounts to the ATO.</td>
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<tr>
<td><strong>Operating expenses</strong></td>
<td>Operating expenses have continued to rise over the past few years due to regulatory change, net outflow and membership decline which is impacting sustainability of funds.</td>
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<tr>
<td><strong>Fees</strong></td>
<td>Increased pressure on fees especially for default funds. Average fees in 2019/20 were 1.04% down from 1.12% in 2018/19 (5% year-on-year reduction).</td>
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<tr>
<td><strong>Culture</strong></td>
<td>Increased focus on the importance of positive culture as a result of the Hayne Royal Commission and COVID-19. Increased recognition that member, operational, financial, people and risk outcomes are shaped by how people behave. There needs to be alignment between the fund’s culture and the culture of outsourced providers to ensure a consistent the member experience.</td>
</tr>
<tr>
<td><strong>Trust and social license</strong></td>
<td>Increased focus on maintaining public trust (and reputation) and on ethical decision making. An all-of-business approach encompassing fund’s purpose, culture, leadership, governance, systems and products is required, including outsourced providers.</td>
</tr>
</tbody>
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15 APRA Annual Superannuation Bulletin, June 2020, published January 2021
16 APRA Annual Superannuation Bulletin, June 2020, published January 2021
17 KPMG Super Insights Report 2020
18 RainMaker Industry Intelligence, October 2020
| **Consolidation Mergers and ‘mega’ funds** | The industry is consolidating at pace driven by multiple forces including the importance of scale, APRA heatmaps and the requirement to deliver positive member outcomes. View that larger funds are typically able to provide good outcomes for members.  

19 KPMG Super Insights Report (2020) |
| **Insurance in super** | Challenge to balance appropriate product design, premiums and erosion of retirement benefits.  
The (short and long-term) impact of COVID-19 is expected to place pressure on claims, premiums and retirement benefit erosion.  
Impact of Protecting Your Super (PYS) and Putting Members’ Interests First (PMIF) requirements also still to be determined.  
Many funds have already increased premiums in the past 12 months, with more expected to do so.  
Regulator focus also on communication regarding insurance in superannuation – details on cover and how to easily opt-out or vary cover. |
| **Member outcomes** | High priority for APRA. Member outcomes assessment is becoming centre of all key decisions and is forcing trustees to rethink their strategic objectives and business planning. Includes communicating outcomes to members – funds need to clearly articulate and justify their position relative to industry benchmarks. Funds need to also consider Design and Distribution Obligations (DDO) applying from October 2021 as part of outcomes assessment obligations. |
| **Changing demographics** | It is estimated that 1.8m members and $300bn assets will move from accumulation to decumulation over the next five years, with the proportion of superannuation savings owned by retirees rising from 30% in 2020 to 44% by 2040. This is leading to an increased focus on adequacy of retirement income solutions and evidence of appropriate strategies to ensure longevity of income for this group. |
| **Environmental Social and Governance (ESG)** | Increased community awareness and expectation as well as regulatory scrutiny regarding funds demonstrating responsible investment strategies, improving corporate disclosure and addressing climate-related risks. |
| **Technology and data** | A well-developed, effective digital strategy is now a ‘must have’ rather than a ‘nice to have’ for superannuation funds. Need to leverage technology and utilise data – to meet changing member expectations and improve member experience and engagement; as well as manage risk and redefine (improve efficiencies in) operations. Reliance on our third-party providers (in particular Link) to respond to changing community expectations regarding technology. Strong emphasis on data security – especially with increasing use of third-party providers. |
| **Member experience and engagement** | The Royal Commission highlighted the importance of meeting changing community expectations. Expectations are higher - members compare their experience to that of a wide range of industries, not just financial services. |
| **Investments** | Key areas of strategic focus across the industry include:  
  • An increase in the size of internal investment teams to support an increase in the level of direct management of assets and/or an increase investment capabilities  
  • An increase in exposure to international assets, with funds starting to reach capacity issues in Australia and/or a preference for sourcing a global opportunity set. |
A focus on lower investment costs, which has resulted in a greater portion of assets being managed on an index-tracking/passive basis

An increased focus on stewardship and ESG issues in managing portfolios

The prevailing investment environment has also influenced areas of focus, in particular:

- Expectations of low yields and low returns, combined with heightened risks, has meant a greater focus on sourcing higher yielding assets

From a regulatory perspective:

- Greater transparency of investment holdings is required to be disclosed to members

- Inconsistencies with the classification of what constitutes growth and defensive assets has led to some parts of the industry claiming several funds are ‘gaming’ performance surveys

C.2. Legislation/policy changes

C.2.1. Commonwealth Reform

Due to COVID-19, many of the planned Commonwealth reforms have been delayed, however new reforms were announced in the 2020 Budget on 6 October 2020 that have the potential to significantly impact the industry.

Key reforms potentially impacting GESB include:

- Your Future, Your Super reforms (2020/21 Budget)
- Treasury Laws Amendment (Improving Accountability and Member Outcomes in Superannuation Measures No.1) Act 2019
- Treasury Laws Amendment (Putting Members’ Interests First) (PMIF) Act 2019
- Treasury Laws Amendment (Protecting Your Superannuation Package) (PYS) Act 2019
- Retirement Income Review (2020)

GESB is not APRA regulated, however, under the HoGA the Western Australian Treasurer agreed that the State will conform with the principles of the Commonwealth’s retirement income policy to the best of its endeavours, so all changes need to be reviewed to determine the impact, if any, on GESB.

Your Future, Your Super reforms 2020/21 Budget

Four key superannuation measures announced in the 2020 Budget (still to be legislated)

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<tr>
<th>Measures</th>
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<tr>
<td>1. ‘Stapling’ for existing superannuation fund members</td>
<td>Will reduce the number of duplicate accounts held by employees as a result of changing jobs Funds may be impacted by limited inflows of new members although existing members may be more ‘sticky’ Industry-specific insurance arrangements may be foregone Onus on employees to assess insurance needs over lifetime</td>
<td>Not applicable to WA Public Sector although GESB may be able to opt in in future Consideration needs to be given to future operating model</td>
</tr>
<tr>
<td>Aimed at stopping the creation of unwanted multiple accounts ‘Stapled’ account follows member automatically as they move jobs Onus placed on employers to check ATO online services for new employees active super account – Phase 1 Phase 2 will provide for digital interface between employer's payroll system and the ATO</td>
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<td>Employers only pay SG to their nominated default fund if the employee does not have an existing super account and does not make a decision regarding a fund</td>
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<td><strong>Implementation</strong>  Phase 1: 1 July 2021, Phase 2: 1 July 2022</td>
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### 2. Interactive YourSuper comparison tool administered by the ATO

A quarterly updated table of MySuper products, ranked by fees and investment returns, highlighting products that have been identified as ‘underperforming’

**Implementation**  
Phase 1: 1 July 2021 (MySuper products)  
Phase 2: 1 July 2022 (Investment strategy has multiple asset classes)

May lead to increased member engagement  
Members will be discouraged from joining or continuing membership of underperforming funds  
Industry concerned that tool doesn’t provide information on insurance  
Unclear how fee ranking will work  
May result in members choosing a fund purely based on past investment performance

Need to engage with APRA regarding GESB’s inclusion in tool

### 3. Holding funds to account for underperformance

An annual performance test for MySuper products from 1 July 2021 and eligible choice products from 1 July 2022  
Underperforming funds must notify members by 1 October 2021 and will be noted as underperforming in ATO comparison tool  
Underperforming products will be those that fail to reach their benchmark return by 0.50% pa over an eight-year period  
MySuper products cannot accept new members if two consecutive performance tests are failed, and will not be able to reopen until their performance improves

**Implementation**  
Phase 1: 1 July 2021 (MySuper products)  
Phase 2: 1 July 2022 (Investment strategy has multiple asset classes)

Data for tool sourced from funds' APRA reporting  
May lead to funds moving to passive investment strategies in order to avoid underperformance  
May result in faster consolidation of industry

Need to engage with APRA regarding GESB’s inclusion in annual test

### 4. Trustee accountability

Legislation to compel trustees to act in the best financial interests of their members  
Penalties to apply for breaches of new duty for both the trustee and individual directors  
Legislation to specify information that must be provided to members when notified of annual member meeting

**Implementation**  
1 July 2021

Trustees will need to understand the practical changes needed to comply with this provision  
Greater demonstration to ensure that non-operational expenditure (advertising, sponsorship etc) has clear connection to improved financial outcomes for members  
Should result in greater transparency on fund expenditure

Need to investigate practical changes required  
Currently GESB does not engage in advertising or sponsorships
Improving Accountability and Member Outcomes in Superannuation Measures No. 1

In April 2019, the Treasury Laws Amendment (Improving Accountability and Member Outcomes in Superannuation Measures No. 1) Bill 2019 amended the SIS Act and the Corporations Act 2001 (Cth) (the Corporations Act). Although the amendments contained nine measures, only the following five are relevant for GESB.

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<tr>
<td>Improving accountability and member outcomes in superannuation</td>
<td>Requirement to assess annually whether outcomes being delivered to MySuper and Choice members are promoting the financial interests of those members and that the offerings are appropriate for the fund’s beneficiaries through ‘member outcomes test’</td>
<td>Key reform to be adopted by GESB through amendments to the Treasurer’s Guidelines on Stronger Super (TGSS)</td>
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<tr>
<td>Portfolio holdings disclosure</td>
<td>A key requirement of the member outcomes legislation. The asset holding information needs to be updated on a semi-annual basis from 31 Dec 2021.</td>
<td>Implemented December 2020 Treasurer’s Guidelines to be amended</td>
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<tr>
<td>Annual member meetings (AMM)</td>
<td>The meetings are to discuss the key aspects of the fund and provide members with a forum to ask questions about all areas of the fund’s performance and operations</td>
<td>GESB’s AMM approach will be determined in consultation with our key stakeholders and within the context of our regulatory framework</td>
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<tr>
<td>Reporting Standards</td>
<td>Under the HoGA the State has agreed to provide APRA with relevant information. The extent of information required to be reported to APRA from EPSSSs will be confirmed by Commonwealth Treasury through the Policy Officers group</td>
<td>GESB currently provides data according to several APRA reporting requirements and await confirmation from Commonwealth Treasury on any further requirements</td>
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<tr>
<td>Superannuation trustees not to incentivise employers</td>
<td>Sec 68A of the SIS Act prohibits a trustee, or its associates, from using goods or services to influence employers to nominate a default superannuation fund for employees, or to encourage employees to choose or retain a particular superannuation fund</td>
<td>GESB does not incentivise employers The prohibition against incentivising employers can be included in the amendments to the TGSS, except for the penalties</td>
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**Insurance related legislation/policy**

| Insurance in Super Working Group (ISWG)                                  | Voluntary code of practice aims to improve the experiences of superannuation fund members in relation to insurance improved disclosure, ease of making changes to insurance cover and when making claims | Based on good practice, including funds should act if they know something about a member e.g. occupation change – GESB’s focus                                                                                     |
| Protecting Your Superannuation Package (PYS)                             | These changes will potentially have a significant impact on the industry and GESB, in particular the changes to the provision of opt-out insurance                                                                 | Regulation change required for GESB to implement                                                                                                                                                    |
| **Act and Putting Member’s Interests First (PMIF) Act 2019** | PYS requires insurance cover to be ceased unless a member indicates otherwise after 16 months without certain activity. PMIF includes ‘opt in’ only insurance to new members aged under 25 years and while members with balances below $6000. | Need to agree re which members should/should not have opt out insurance. |
## Retirement incomes policy

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| Retirement income review (RIR) | Established Sept 2019. The Panel was asked to identify (but make no recommendations):  
- How the retirement income system supports Australians in retirement  
- The role of each pillar in supporting Australians through retirement  
- Distributional impacts across the population and over time  
- The impact of current policy settings on public finances  
Report released November 2020  
Findings of note:  
- The Age Pension, combined with other support provided to retirees, is effective in ensuring most Australians achieve a minimum standard of living in retirement in line with community standards  
- Compulsory superannuation allows people to achieve a retirement income that better reflects their pre-retirement income. People will increasingly fund more of their own retirement as the superannuation system matures, but the Age Pension will continue to supplement the retirement income of a large proportion of people  
- Superannuation savings are supported by tax concessions for the purpose of retirement income and not purely for wealth accumulation, but most retirees leave the bulk of the wealth they had at retirement as a bequest  
- The home is the most important component of voluntary savings and is an important factor influencing retirement outcomes and how people feel about retirement. The system favours homeowners  
- The Federal Government will continue to consider the observations made in the RIR, together with the findings of related reviews including the Aged Care Royal Commission and remaining recommendations of the Productivity Commission’s report into Superannuation | Monitor outcomes of review and assess implications for GESB |
| Comprehensive Income Product in Retirement (CIPR) | Trustees required to offer at least one CIPR (either in-house or third party) and members must give explicit consent to commence a CIPR  
Expected 2022 with suggestion from Senator Hume that the government will introduce a principles-based approach rather than a prescriptive approach to decumulation | Once approach determined by Government, review for implications for GESB |
| Retirement income covenant | In May 2018 budget, the Federal Government proposed introducing a retirement income covenant requiring superannuation trustees to formulate a retirement strategy that assists members meet their retirement income objectives, considering factors such as maximising income for life, managing longevity risk, eligibility for Aged pension and impact of cognitive decline on member outcomes  
The Federal Government has confirmed its deferral of the commencement of the Retirement Income Covenant, announced in Budget 2018/19, from 1 July 2020 to 1 July 2022 to allow continued consultation and legislative drafting to take place during COVID-19, and for the measure to be informed by the RIR | Further develop/refine GESB’s retirement income strategy to ensure if meets requirements (once determined) |
### Other relevant policy/legislation

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</table>
| **Treasury Laws Amendment (Protecting Your Superannuation Package) Act 2019** | Fees  
Fee capping: fees to not exceed 3% of the balance where the balance of the account is below $6000  
No exit fees                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | GESB has implemented fee cap GESB Super and WSS for exits and annual assessments (statements)  
We have removed transaction fees                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                  |
|                                                                          | Transfer of low balances to ATO  
Transfer of all superannuation savings with a balance below $6000 to the ATO if an account has been inactive for a continuous period of 16 months                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Regulation change required for GESB to implement                                                                                                                                                                                                                                                                                                                                      |
| **Financial Sector Reform (Hayne Royal Commission Response — Protecting Consumers (2019 Measures)) Bill 2020** | No deducting advice fees from MySuper Accounts (1 Jan 2021)  
The draft Bill proposes to remove a superannuation trustee’s capacity to charge advice fees from MySuper products and remove the capacity of a superannuation trustee to charge advice fees to a member (other than fees for intra-fund advice) unless certain conditions are satisfied                                                                                                                                                                                                                                                                                                                                                          | GESB’s ability to charge Retirement Option Service fees to members directly is not affected by this Bill                                                                                                                                                                                                                                                                                     |
### State policy

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<td><strong>Integrity Strategy for WA Public Authorities 2020 – 2023</strong></td>
<td>The Public Sector Commission has released the integrity strategy for WA Public Authorities which focuses on four key improvement areas with actions and controls to promote integrity and help prevent misconduct and corruption: 1. Plan and act to improve integrity – effective governance systems and frameworks are established 2. Model and embody a culture of integrity – a culture of integrity exists and is reinforced and communicated by leaders 3. Learn and develop integrity knowledge and skills – individual and authority integrity knowledge, skills and competence are grown 4. Be accountable for integrity – prevention, detection and response to integrity matters are everyone’s personal and professional responsibilities</td>
<td>GESB already has robust risk management processes in place in regard to its culture of integrity We will need to ensure that our existing framework meets or exceeds that set out by the Public Sector Commission</td>
</tr>
<tr>
<td><strong>Disability Access and Inclusion Plan (DAIP)</strong></td>
<td>The <em>Disability Services Act 1993</em> requires all local government and selected State Government agencies to develop a DAIP DAIPs assist public authorities to plan and implement improvements to access and inclusion across seven outcome areas, regarding services and events, buildings and facilities, information, quality of service, complaints, consultation processes and employment These plans benefit people with disability, the elderly, young parents and people from culturally and linguistically diverse backgrounds</td>
<td>GESB has adopted a DAIP to ensure people with disability have the same opportunity as other people to access our services and information</td>
</tr>
<tr>
<td><strong>Digital WA: State ICT Strategy (2016 – 2020) (not updated since 2016)</strong></td>
<td>The Digital WA strategy and policies aim to ensure that all Western Australian government agencies use their ICT infrastructure and assets efficiently and effectively to deliver better services for government, industry and the public Digital transformation across the public sector including single government-wide network and web portal for all WA Government services and common platforms and leveraging off cloud services to enable agencies to be more responsive to changing needs of the community Objective: 75% of all government-related transactions completed online by the public by 2020</td>
<td>We need to ensure we are aligned with the Digital WA strategy and policies where relevant, the ICT procurement framework and State Government accessibility requirements We may be able to leverage off ID check online (DoT) – Government wide</td>
</tr>
<tr>
<td><strong>OBM</strong></td>
<td>The OBM framework provides public sector agencies with guidance with respect to monitoring how the services they deliver achieve the intended outcomes Agencies’ outcomes are required to be aligned with achievement of the government’s goals (Sustainable finances; Future jobs and skills; Strong communities; Better places) and desired outcomes across the public sector</td>
<td>GESB’s outcome contributes to the government goal of ‘sustainable finances’</td>
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</tbody>
</table>
Public Sector Reform (May 2019)

This program has been deferred indefinitely due to COVID

The State Government is undertaking major reform of the public sector to improve outcomes for Western Australians

The reform aims to strengthen efficiency, accountability and drive high-performance in the public sector to deliver better services to the community. This a Department of Premier and Cabinet initiative

Examples of the reform programs include:

- Digital Leadership - leading sector-wide digital reform to improve service delivery
- Workforce Diversification - strengthening the public sector with a workforce that values and incorporates diversity

The Public Sector Commission is progressing a sector-wide workforce diversification and inclusion strategy, and six action plans

Whilst not directly involved in the reform programs, GESB needs to ensure we are aligned with them where relevant, for example, Workforce Diversification

In 2020/21, GESB’s small number (around 50 FTE) of staff will continue to operate in a manner aligned to reform programs, delivering value for money outcomes for members and the State efficiently and effectively

C.3. Our forecasts

C.3.1. Growth

GESB’s total assets decreased by 2% ($0.65bn) to $29.35bn in the 2019/20 financial year due to the impact of COVID-19 (excluding the unfunded GSS component as required by AASB1056). Total FUM is forecast to increase to $42.1bn by 30 June 2026. This five-year forecast assumes a medium-term investment return of 5.5% p.a., which reflects reasonable assumptions for total Fund composition and asset class investment returns.

Net assets by scheme (five-year forecast)

WSS, GSS and Pension and Provident Schemes (PS) demographics indicate that the State’s liability for these schemes will cease within 20 years in a taper that has already commenced. Actuarial forecasts as at June 2020 show approximately 69% of GSS members are expected to retire in the next six years. Over 75% of GSS members are deferred, with 67% of these members being over 55, and approximately 43% of the funded liability now relates to deferred members. The weighted average term of liabilities in GSS is 6.3 years20.

20 Mercer Actuarial Investigation as at June 2020
WSS membership is expected to reduce by 26%, from 114,089 in June 2020 to 83,899 in June 2025\textsuperscript{21}.

GESB’s net funds flow (the net sum of superannuation contributions received, and benefit payments paid out) is projected to turn negative in the financial year 2025/26. This is due primarily to increasing benefit payments from the closed WSS scheme as its membership matures and increasingly accesses benefits. GESB Super and Retirement Income (RI) schemes remain net fund flow positive for the five-year forecast period to 2025/26. Notwithstanding projected negative net funds flows at total fund level, investment earnings are projected to more than offset negative flows. Therefore, total FUM is projected to continue to increase over the period. Further into the future, persistent negative net funds flow may affect GESB’s ongoing scale.

The following graphs illustrate the projected decline over time in the schemes that are closed to new members (GSS and WSS). It is important that GESB’s long-term strategic planning takes into account this expected trend. Members of the closed schemes will continue to benefit from scale benefits of the positive growth trends in the (open) GESB Super and RI schemes.

\textsuperscript{21} GESB Forecasting Model, January 2021
Long-term (20 year) forecast of WSS member numbers (30 June 2020)

Source: GESB Forecasting Model January 2021

Long-term (to 2050) forecast of GSS member numbers (30 June 2020)

Source: GESB Actuarial Report June 2020, Mercer

Projected GSS financial position to 2050 (’000s)

Note: UFL is Unfunded Liability (Govt Cost)
Source: GESB Actuarial Report June 2020, Mercer

Projections in the above chart show that GSS should be fully funded by 2031 (assuming no changes to current contribution and recoupment rates). The increase in liabilities at 2020 is due to the change in economic assumptions used to calculate the accrued liability.
Appendix D – Risk management

We have developed our 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.

• We have a strong risk management and compliance culture that ensures the protection of fund assets and information
• We view risk management as 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. Our risk environment captures the internal and external issues and events that have the potential to influence GESB’s material risks.

The Executive Management Group (EMG) is monitoring eight key areas that can influence GESB’s risk environment. The GESB risk environment is currently considered stable.

The material risks are:

1. Loss of leadership and key staff adversely impacting capacity and capability
2. Failure to deliver long-term investment returns that meet or exceed investment objectives
3. Failure to achieve satisfactory outcomes in relation to material outsourced providers:
   a. Insurance (AIA)
   b. Outsourced administrator (Link)
   c. Custodian (Northern Trust)
   d. Asset consultant (JANA)
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 members
8. Impact of the COVID-19 pandemic on the operational and strategic objectives of GESB

The material risks ‘Financial crimes against the State or GESB members’, ‘Failure to deliver long-term investment returns that meet or exceed investment objectives’ and the ‘Impact of the COVID-19 pandemic on the operational and strategic objectives of GESB’ are considered above appetite. All the other material risks were within appetite.

Material risks are reviewed at least quarterly with reporting to the EMG, Audit and Risk Committee (ARC) and the Board and appropriate treatments implemented.
Appendix E - Investment governance framework

E.1. Investment powers

The SSA allows the Board to invest the assets of the Fund in any form of investment that is, or is of a kind that is, approved by the Treasurer. The Board may, as it considers appropriate:

- Deal with its investments
- Deal with or exercise, or choose not to exercise, any rights or obligations that are attendant on ownership of an investment

E.1.1. Treasurer’s guidelines

The Treasurer has issued Treasurer’s Prudential Guidelines for Investments to the GESB Board, which are subject to review at least annually. The Board may only invest in accordance with these guidelines.

E.1.2. Investment strategy

The main element of investment strategy is the long-term allocation of assets between asset classes (equities, cash, property, etc.). This allocation has a major impact on the risk and return profile of the investment options within the Fund. The asset allocations of the Fund’s investment options are reviewed on an annual basis.

- **Strategic Asset Allocation (SAA)**
  The Board formally reviews neutral or SAAs and investment objectives on an annual basis. The following approach is taken in reviewing the SAAs:
  - The Board considers the asset classes to be included in the SAA
  - Using return, risk and correlation assumptions, SAAs are modelled and their return, risk, liquidity, and other characteristics assessed
  - The expected performance of SAAs are examined under a range of market and economic scenarios
  - The outcomes of the asset allocation modelling and any recommended changes to SAAs are considered by the GESB Board and, if appropriate, revisions are recommended to the Treasurer

Changes to asset allocations or investment strategies which require changes to the neutral (strategic) asset allocation, asset allocation ranges or the kinds of investments GESB can invest in require the Treasurer’s approval.

Our investment plans are intended to provide a range of investment risk and return profiles for the Fund’s members in order to meet their particular return requirements and risk tolerance. The investment strategies employed for each investment plan are prudently diversified and appropriate for the investment objectives of each plan.

Appropriate ranges around these strategic asset class weightings are formulated for each option. Operational rebalancing is undertaken from time to time as required, as documented in the GESB Rebalancing and Cash Flow Management Policy.

- **Medium Term Asset Allocation (MTAA)**
  Our MTAA framework provides for asset allocations to be ‘tilted’ away from SAA weights with the aim of improving investment outcomes – by ‘over-weighting’ asset classes that are expected to perform well and ‘under-weighting’ ones expected to perform poorly.

MTAA ‘tilts’ are managed within approved asset allocation ranges, so as to maintain the integrity of the SAA and ensure the resulting impact on investment performance is within the Board’s risk tolerance. MTAA tilts remain within the asset allocation ranges specified in the Treasurer’s Guidelines and, therefore, do not require the Treasurer’s approval.

The Investment Committee, as appointed by the Board, reviews MTAA tilts and recommendations on a regular basis, taking into account the prevailing market environment and expected prospective returns of the asset classes in which the Fund invests.
The approach taken to develop MTAA recommendations and implementation is as follows:

1. GESB gathers information from its asset consultant and other sources, provides analysis and assessment of the prevailing market environment, risks and opportunities, and submits asset class views and suggested tilts across various asset classes.

2. GESB’s Investments Division reviews, assesses and critiques the asset consultant’s views and other research/inputs and recommends MTAA tilts, where appropriate.

3. GESB’s Investments Division considers the application of MTAA tilts across GESB’s investment options, to ensure the resulting return and risk impacts remain appropriate for each option.

4. If the General Manager Investments is in agreement with the asset consultant’s views and the tilts are within Board delegated ranges, then GESB implements the asset class tilts, sized appropriately, across investment options. If the General Manager Investments does not concur with the asset consultant’s recommendations, then the Investment Committee is engaged to determine an appropriate course of action. It is expected that MTAA tilts will be implemented relatively infrequently, though will be undertaken when there is a high conviction of improved investment performance.

5. GESB’s Investments and Investment Operations teams monitor the asset allocations of all GESB investment options—which change as a result of market movements and inward/outward cash flows on a daily basis. The Investments Division measures and reports the investment performance impact of MTAA tilts to the Board on a monthly basis.

- **Liquidity and investment in illiquid assets**

One of the potential advantages that long-term investors such as superannuation funds have over some other investors is an investment timeframe that is suitable for investing in illiquid assets. This provides the opportunity to further diversify an investment portfolio and capture returns that can be (but are not always) associated with illiquid investments. These investments may include unlisted property, unlisted infrastructure and private equity.

However, as such assets are by nature illiquid, they cannot be readily sold (either in full or in part) should GESB have need of liquidity. Such liquidity needs may arise from:

- Members exiting the fund
- Payment of benefits or pensions
- Member investment choice switching
- Meeting investment commitments, for example where an investment amount is committed up front, but funds are progressively drawn down over a number of years
- A requirement for funds to facilitate asset allocation rebalancing

The Board has adopted a liquidity policy which sets out GESB’s approach to managing and monitoring liquidity and assessing potential risks to liquidity requirements. Assets are categorised according to different degrees of liquidity, and exposure limits to each category are formalised for each GESB investment option. GESB’s Liquidity Policy is reviewed annually.

The Board notes the cash flow profile of the Fund and its capacity to undertake investments in illiquid assets. In addition, the Board has determined that some illiquid assets do not offer an attractive and readily accessible combination of return, risk and cost characteristics, in comparison with more liquid alternatives. Therefore, the Board believes that it is prudent to place a conservative limit on the total investment in illiquid assets in GESB’s investment options. While this approach differs to a number of industry superannuation funds, who invest more substantially in unlisted, illiquid assets, the GESB Board considers a more liquid investment portfolio to be appropriate for GESB’s membership and the State.
• **Use of derivatives**
We have adopted a derivatives policy setting out GESB’s approach to the use of derivatives. The Board does not directly manage derivative instruments, such as futures and options, and does not intend to do so.

External investment managers may invest in derivatives when managing either pooled investment vehicles in which the Board invests or in the management of segregated portfolios on behalf of the Board, subject to the Treasurer’s Prudential Guidelines for Investments.

• **Investment performance monitoring**
A comprehensive performance monitoring regime is 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
  – Compare the performance of the Fund’s investment options against the performance of other peer funds and comparators

Investment performance is monitored in the following ways:

  – Returns are calculated monthly by GESB’s custodian based on the market values calculated by the custodian and reconciled with appointed investment managers
  – The GESB Investments Division and the asset consultant provide ongoing qualitative and quantitative review of investment-related aspects of GESB’s investment managers and will recommend the termination of managers when considered appropriate
  – The GESB Investments Division maintains a manager review schedule and the asset consultant has regular contact with GESB’s investment managers as appropriate, to assess factors that contributed to the manager’s return and all other aspects of each manager’s investment performance and ongoing operations. Quantitative and qualitative information on the performance of our investment managers is reported to the Board and Investment Committee on a regular basis
  – Investment plan level performance attribution is measured on a monthly basis by the GESB Investments Division and/or GESB’s custodian. This quantifies the performance impacts of our MTAA tilts and investment managers
  – Other monitoring is undertaken as deemed appropriate from time to time

• **Investment strategy and manager reviews**
A review of the SAA and investment objectives for each investment option is undertaken annually. The structure of the portfolio within each major asset class, including the appointment of all investment managers, is subject to ongoing review by our Investments Division and Investment Committee, with input from the asset consultant.

When considered appropriate, recommendations are made to terminate and/or appoint investment managers. In accordance with the Treasurer’s Prudential Guidelines for Investments, the Board may only appoint an external investment manager approved by the Treasurer.

• **Investment objectives**
Investment objectives represent target outcomes for each investment option in the Fund, primarily expressed as target long-term rates of return above inflation and acceptable levels of risk in terms of the expected number of negative annual returns in any 20-year period.

Appropriately defined investment objectives are established and provide the basis for evaluating different investment strategies, selecting and implementing an appropriate investment strategy and monitoring investment performance.
• **The process for setting investment objectives**
  
  Setting investment objectives involves defining the level of risk the Board considers appropriate in pursuit of target long-term returns above inflation. In this context, ‘risk’ has regard to the particular circumstances of the Fund.

In setting investment objectives, the Board considers:

– The range of return, risk and time horizon options that is appropriate and prudent for GESB’s members
– The stakeholders affected by the investment performance of the Fund and the needs and preferences of those parties
– The likely performance of each investment option under various scenarios, to ensure consistency with the targeted risk profile
– The Board’s responsibilities to the members of the Fund
– The Board’s aims with respect to the financial position of the Fund
– The tax status of the Fund

Our investment objectives are reviewed on an annual basis. The investment objectives, SAAs, asset allocation ranges, permitted kinds of investments and investment timeframes are specified in the Treasurer’s Prudential Guidelines for Investments approved by the Treasurer. The GESB Board is required to review these guidelines annually and recommend any changes to the Treasurer.
Appendix F – Corporate governance framework