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STATE SUPERANNUATION ACT 2000

**Treasurer's Guidelines for Government
Employees Superannuation Board**

Compliance with Stronger Super

DECEMBER 2016

**Treasurer's Prudential Guidelines for
Investments**

DECEMBER 2016

**Treasurer's Guidelines for Government
Employees Superannuation Fund**

- (1) Reserves**
- (2) Allocation of Costs**

JANUARY 2017

STATE SUPERANNUATION ACT 2000
TREASURER'S GUIDELINES FOR GOVERNMENT EMPLOYEES SUPERANNUATION BOARD
Compliance with Stronger Super

1 Background

1.1 Section 33 of the *State Superannuation Act 2000* provides for the issue of written guidelines. In particular, section 33(2)(b) provides as follows—

“33. Treasurer’s approvals and guidelines

(2) The Treasurer may after consulting the Board, issue written guidelines to be followed by the Board in relation to—

(b) the provision by the Board of, or the facilitation by the Board of the provision of, products and services under section 6(1)(e).”

Scope

1.2 These Guidelines relate to the Commonwealth’s Stronger Super legislation package and how it applies to GESB. In particular the guidelines set out the requirements for—

- (a) MySuper Products that are offered by GESB; and
- (b) Super Stream.

1.3 These Guidelines do not address those elements of the Stronger Super legislation that relate to prudential standards.

Definitions

1.4 ‘Act’ means the *State Superannuation Act 2000*, as amended from time to time.

1.5 ‘Board’ means the Government Employees Superannuation Board.

1.6 ‘Corporations Act’ means the *Corporations Act 2001* as amended.

1.7 ‘MySuper Products’ means the products that the Board, in consultation with the Treasurer, determines will be classed as MySuper Products.

1.8 ‘MySuper Schemes’ means GESB Super and West State Super.

1.9 ‘Regulations’ means the *State Superannuation Regulations 2001*.

1.10 ‘SISA’ means the *Superannuation Industry (Supervision) Act 1993* as amended.

1.11 ‘State Policy’ means State Policy on Super Stream Data Standards.

1.12 ‘Treasurer’s approval’ (or ‘approval of the Treasurer’) means approval given under section 33 (1) of the Act.

1.13 ‘Treasurer’s guidelines’ means the guidelines set out in this document, being guidelines issued by the Treasurer under section 33(2) of the Act.

1.14 ‘WSS’ means the West State Super Scheme.

2 Guidelines relating to MySuper

2.1 Excerpt from the Heads of Government Agreement (HoGA)

MySuper

It is important to ensure simple and cost effective superannuation products are available for fund members, including as default products for those members who do not wish to be actively involved in choosing their superannuation arrangements. These products are called ‘MySuper’ products.

Specific rules are imposed on trustees of funds offering MySuper products to reflect that members of MySuper products rely on the trustee to act in their best financial interests. The requirements for MySuper products will be contained in the SIS legislation and the Corporations legislation.

Trustees of exempted public sector schemes wishing to label their default products as MySuper are not required to be authorised by the Australian Prudential Regulation Authority (APRA) to offer a MySuper product; however, they would otherwise be expected to comply with the principles of other MySuper requirements.

2.2 The Board will offer one MySuper Product for each of the MySuper Schemes.

2.3 In compliance with the principles of the HoGA set out above and subject to clause 2.4 the MySuper Products offered by the Board must at all times meet the product provisions of the SISA (notably Part 2C Sections 29TC, 29V to 29VE and 29VN, Part 7 Section 68AA and Part 11A) and the relevant provisions of the Corporations Act with respect to MySuper Products.

2.4 The following modifications apply for all GESB MySuper Schemes

- (a) Superannuation Guarantee contributions to the GESB MySuper Schemes can only be made by eligible WA public sector employers—as specified in the *State Superannuation Regulations 2001*.
- (b) A member of a GESB MySuper Product cannot be a member of another GESB MySuper Product, nor hold a separate (non MySuper) category of membership in any of the GESB MySuper Schemes.
- (c) A member of a GESB MySuper product is limited to holding one investment plan.

2.5 The following modifications apply for WSS—

- (a) The WSS MySuper Product may continue to offer a guaranteed benefit component and partial disability benefit.
- (b) The WSS MySuper Product dashboard must reflect the unique features of the WSS.

MySuper Product Dashboard

2.6 A product dashboard for each of the MySuper Products must be prepared and displayed in a way that members can compare products.

2.7 The product dashboard will contain the same information as required by the Corporations Act and Regulations (in particular Section 1017BA) for other entities offering a MySuper product, subject to the modifications set out in Appendix A of the Guidelines.

3 Guidelines relating to SuperStream

3.1 SuperStream is a comprehensive package of reforms by the Commonwealth Government designed to enhance the 'back office' of superannuation. The Super Stream reforms include measures to—

- (a) Implement the new data and e-commerce standards for superannuation transactions.
- (b) Allow the use of tax file numbers as the primary locator of member accounts.
- (c) Facilitate account consolidation and improve the treatment of contributions made without sufficient member details.

3.2 In compliance with the principles of the HoGA set out above the Board will implement and comply with the Super Stream reforms as if it were subject to the SISA Part 3 Operating Standards, SIS Regulations and other Commonwealth legislation pertaining to the Super Stream reforms to the extent to which the State Policy, Act and Regulations allow.

4 Reporting

4.1 The Board will provide to the Treasurer on a regular basis, but at least annually, a written report confirming that—

- (a) the MySuper Products offered by the Board complied with these guidelines over the period of the report and are expected to continue to comply; and
- (b) the target return and risk investment profile of the MySuper Products has been reviewed at least annually, and to detail any changes during the period of the report (if applicable).

The report will include a copy of the current product dashboard for each of the MySuper Products.

4.2 The Board will include a statement in the GESB annual report of its commitment to the principles of HoGA and its compliance with the Guidelines.

5 Revision of these Guidelines

5.1 The Treasurer may review the Guidelines annually but will undertake a review at least once every three years.

5.2 The Board may request amendments to the Guidelines.

6 Effective Date

6.1 The Guidelines will be effective from the date of the Treasurer's Approval.

M. NAHAN, MLA, Treasurer.

Dated 20 December 2016.

Appendix A

DASHBOARD MODIFICATION

The MySuper Product dashboard disclosures will be modified to accommodate the following attributes—

- The WSS MySuper Product must disclose the investment returns are before tax and provide members with access to details of WSS's taxation arrangements.
- The WSS and GESB Super MySuper Products must disclose that they are regulated by the State and not the Commonwealth.
- The WSS and GESB Super MySuper Products must provide members with access to details of the State guarantee for benefit payments.

The following information must be provided with the dashboard for the **WSS MySuper Product**, with hyperlinks to more information where relevant.

West State Super—unique features

Your West State Super account is known as a market linked accumulation scheme. This makes it similar to most other super funds, including GESB Super. However, one of the things that make it unique is that it's an untaxed scheme.

It's important that you know about the tax considerations that apply to your West State Super account. Here are some more details and information about the features of this scheme.

It's an untaxed scheme

Untaxed does not mean 'no tax', so it can be useful to think of it as deferred tax.

In a taxed fund, a 15% tax is applied to employer and salary-sacrifice contributions, and a tax of up to 15% applies to investment earnings. In an untaxed fund, such as West State Super, these

contributions and earnings are taxed at 15% when the benefit is paid to the member or transferred to a taxed fund.

Learn more about [the tax components for West State Super](#).

Your investment earnings are reported before tax

Having your super invested in an untaxed scheme means that you earn pre-tax investment returns on the full amount of your contributions over the life of your super account.

Most other super funds pay tax and report the returns after investment expenses and tax are taken out. Your West State Super account is different, as your returns are reported after only the investment expenses have been taken out—tax has not been paid yet. This makes it hard to compare the reported investment returns of your West State Super account with most other super funds.

Contribution caps are different compared to taxed funds

With most super funds, concessional (before-tax) contributions made through an employer or by salary sacrifice count towards an annual cap. Any contributions made in excess of this cap are taxable at the member's marginal tax rate.

Your West State Super account can receive these kinds of contributions without any annual caps applying. Instead a lifetime limit is applied to the amount of your benefit that is concessionaly taxed. The limit for 2016/17 is \$1.415 million.

Note: From 1 July 2017 it is proposed that the annual concessional contributions made to West State Super will be counted in determining your eligibility to make further concessional contributions to a taxed fund.

For more details on your West State Super's untaxed plan cap, see the [Tax and super brochure](#).

Learn more about [your West State Super's untaxed plan cap](#).

Any tax advantages of West State Super depend on the type of contributions and other factors

Your West State Super account may result in financial advantage for your concessional (before-tax) contributions when compared to a taxed fund. This means you may receive a higher benefit over time from your employer or salary sacrifice contributions.

On the other hand, the tax arrangements for this type of scheme may result in tax disadvantages for your non-concessional (after-tax) contributions when compared to a taxed fund.

The overall impact on your final benefit will depend on a number of factors, including the type of contributions you make, how your contributions are invested and the length of time your contributions have been invested in your West State Super account.

You can't receive a low income super contribution (LISC)

The LISC is a Commonwealth government payment of up to \$500 per financial year, calculated at 15% of the concessional (before-tax) contributions for individuals on adjusted taxable incomes of up to \$37,000. Note: From 1 July 2017, it is proposed that this arrangement be replaced by a similar benefit to be known as the Low Income Superannuation Tax Offset (LISTO).

As contributions to your West State Super account don't get taxed, any before-tax contributions made into your account are not eligible for this government contribution.

You might be able to access your super if you become disabled

With your West State Super account, you might be able to access you super benefit if you become partially and permanently disabled. This option isn't available with most other super funds.

For more information on partial and permanent disablement benefits, please refer to page 23 of the Insurance and your super brochure.

Additional statutory insurance may apply

Your level of your Death and TPD benefit may be adjusted if all of the conditions below apply to you—

- You're a [covered risk benefits member](#) (as defined in the *State Superannuation Regulations 2001 (WA)*).
- You're an [eligible statutory West State Super member](#).
- You're under 60 and have not opted out of your Death or TPD cover.

We will pay a top up if your entitlement under the State Superannuation legislation exceeds the amount payable by the Insurer.

For more information on statutory insurance, please call your Member Services Centre on 13 43 72.

Learn more about [your West State Super insurance arrangements](#).

You might have a Minimum Benefit Guarantee

Before July 2001 West State Super accounts were credited with an annual earnings rate of CPI plus 2%. From 1 July 2001, member investment choice was introduced and West State Super became a [market-linked scheme](#).

If your West State Super account had a balance before 1 July 2001, you have a Minimum Benefit Guarantee. This means that any future benefit will be paid at whichever amount is higher, out of—

- Your account balance at 30 June 2001 plus subsequent contributions and investment earnings.
- Your account balance at 30 June 2001 compounded annually at CPI plus 2% less certain types of payments.

If this applies to you, you might benefit from the guarantee if you have stopped receiving employer contributions or making personal contributions to your West State Super account.

For more information about the Minimum Benefit Guarantee, please call your Member Services Centre on 13 43 72.

West State Super is closed to new members

If you choose to close your account by cashing in or transferring your entire balance, you can't **re-join** the scheme at a later date. If you already have a West State Super account and leave the WA public sector, we can only accept employer contributions if you return to work in the WA public sector and your account is still open.

Find out more about West State Super

- [West State Super investments](#)
- [West State Super insurance](#)
- [West State Super fees and other costs](#)
- [West State Super and tax](#)
- [West State Super important documents](#)

Or for full details of West State Super, please read the [West State Super Product Information Booklet](#).

STATE SUPERANNUATION ACT 2000
TREASURER'S PRUDENTIAL GUIDELINES FOR INVESTMENTS

1 General**1.1 Context**

1.1.1 This document sets out the Treasurer's Prudential Guidelines for Investments (the "Guidelines"). These Guidelines have been issued by the Treasurer of Western Australia ("the Treasurer") to the Government Employees Superannuation Board ("the Board") and apply to the Government Employees Superannuation ("GES") Fund.

1.1.2 The GES Fund consists of the assets of the following schemes (and for the avoidance of doubt, includes assets held in any reserves maintained by the Board within these schemes)—

- Gold State Super ("GSS");
- Pension Scheme and Provident Account (together, "Pension Schemes");
- Retirement Income ("RI");
- Retirement Income Term Allocated Pension ("RI-TAP");
- West State Super ("WSS"); and
- GESB Super.

1.2 Framework***Legislative requirements***

1.2.1 Section 18 of the *State Superannuation Act 2000* ("SS Act") provides the power for the Board to invest the assets of the GES Fund.

1.2.2 The relevant sections of the Act are provided in Appendix A.

1.3 Roles and Responsibilities***Treasurer***

1.3.1 The Treasurer has three key roles with respect to the GES Fund and its schemes—

- (a) Employer sponsor;
- (b) Prudential regulator; and
- (c) Guarantor.

1.3.2 In fulfilling these roles, the Treasurer is responsible for approving—

- (a) Investment objectives, which are recommended by the Board;
- (b) Neutral asset allocation and ranges ("asset allocation"), which are recommended by the Board; and
- (c) The appointment of external investment managers, which are recommended by the Board.

1.3.3 The responsibility for determining neutral asset allocations consistent with approved investment objectives may be delegated to the Board.

Board

1.3.4 The Board's role is to manage the GES Fund and administer the schemes.

1.3.5 The Board is responsible for—

- (a) recommending investment objectives for each scheme within the GES Fund;
- (b) formulating an investment strategy to achieve the agreed investment objectives and which is in accordance with the Guidelines;
- (c) recommending to the Treasurer, external investment managers to manage the assets of the GES Fund;
- (d) terminating external investment managers as required.

1.4 Investment Objectives and Asset Allocation

1.4.1 The investment objectives and asset allocation for the various scheme investment plans are set out in Appendix B.

1.4.2 From time-to-time the Board may recommend revised investment objectives and/or asset allocation for approval by the Treasurer and incorporation into these Guidelines.

1.4.3 In determining the investment objectives and asset allocation the Board will consider the following factors as a minimum—

- (a) nature and timing of the schemes' liabilities;
- (b) risk of capital or income loss or depreciation;
- (c) effect on the tax liability and after tax return of the portfolio (where relevant);
- (d) expected investment returns net of costs (including commissions, fees, charges and duties payable);
- (e) diversification;
- (f) liquidity; and
- (g) reputation risks to both the GES Fund and the Government of Western Australia.

1.4.4 The Board will provide the necessary information to support any recommendations and the Treasurer will promptly notify the Board of any concerns.

1.4.5 The Board must take independent advice on asset allocation on a regular basis.

1.4.6 In measuring the actual asset allocations, the exposure to each asset class is to be inclusive of derivative exposures.

1.5 Approved Investments

1.5.1 For the purpose of section 18(1) of the SS Act, the Treasurer has approved the Kinds of Investments described in section 2 of these Guidelines.

1.6 Internal Investment Management

1.6.1 The Board may provide for an employee of the Board to act as an investment manager in Cash investments as defined in section 2.

1.6.2 For the internal management of investments other than Cash, the Board shall consult with the Treasurer for approval.

1.7 External Investment Management

Selection of External Investment Managers

1.7.1 The Treasurer is responsible for approving external managers.

1.7.2 The Board will recommend investment managers to the Treasurer, and will provide the Treasurer with the recommended terms and conditions of the appointment together with any other documentation that the Treasurer may require, prior to the time of appointment.

1.7.3 The investment management arrangements may take the form of an appointment of an investment manager under an investment management agreement or an investment in a collective investment vehicle managed by an investment manager.

1.7.4 The Board is responsible for ensuring compliance of all external investment managers with section 2 of the Guidelines.

1.7.5 The Board shall maintain a program to monitor, on at least a quarterly basis, the performance of each external investment manager.

Terminating External Investment Managers

1.7.6 The Board is responsible for terminating external investment managers for the GES Fund.

1.7.7 The Board will inform the Treasurer of any external investment manager terminations as part of its regular reporting (at least quarterly) as outlined in Appendix C.

Varying the Terms of an Approved Investment Manager

1.7.8 Should the Board wish to vary the Kinds of Investments that an external investment manager can invest in, the Treasurer's approval is required.

1.8 Corporate Governance

1.8.1 The Board will maintain a Conflicts of Interest policy and provide a copy of this policy to the Treasurer upon request.

1.8.2 The Board will maintain a policy to apply to proxy voting and corporate actions (which may form part of the Board's Investment Policy Statement) and provide a copy of this policy to the Treasurer upon request.

1.9 Liquidity

1.9.1 The Board is responsible for maintaining a Liquidity Policy with the objective of meeting cash flow requirements and ensuring the desired asset allocation for each scheme investment plan can be implemented.

1.10 Reporting

1.10.1 The Board shall provide the Treasurer, on a regular basis, but at least quarterly, a report covering the investments in the various schemes' investment plans.

1.10.2 The minimum information required by the Treasurer to be included in this report is set out in Appendix C.

1.11 Securities Lending

1.11.1 The Board will maintain a Securities Lending Policy and provide a copy of this policy to the Treasurer upon request.

1.12 Revision

1.12.1 At least annually, the Board will review these Guidelines and make any recommendations to the Treasurer as it considers appropriate.

1.12.2 At such times as is deemed necessary, the Treasurer shall also review these Guidelines and make any changes which the Treasurer considers appropriate.

1.12.3 The Treasurer will consult with the Board prior to making any changes to these Guidelines.

1.13 Effective Date

1.13.1 These Guidelines shall be effective from the date of approval by the Treasurer.

2 Kinds of Investments

2.1 General

2.1.1 The purpose of this section of the Guidelines is to set out the general characteristics of the Kinds of Investments in which the Board may invest. Within each kind of investment, investments may also be made in Cash (both AUD and non-AUD denominated) to facilitate portfolio liquidity.

2.1.2 The Fund shall not be leveraged and the maximum capital at risk for all investments is limited to the agreed committed investment.

2.2 Cash

2.2.1 Cash will typically comprise securities with—

- (a) very high probability of capital preservation;
- (b) short maturity profile of no more than 13 months and average maturity profile of up to seven (7) months with limited interest rate risk; and
- (c) AUD denominated.

2.2.2 Cash assets may contain derivative exposure e.g. bank bill futures.

2.3 Investment Grade Bonds

2.3.1 Investment Grade Bonds include fixed, floating and inflation-linked debt instruments typically issued by or guaranteed by issuers with a high credit rating.

2.3.2 Securities will be rated at least BBB- by Standard and Poor's (S&P) (or equivalent) at the time of purchase. In the event of a security rating being downgraded below BBB-, the Board has the flexibility to maintain the security for a period of up to six (6) months in order to restructure the portfolio.

2.3.3 The portfolio may contain derivatives exposure, e.g. derivatives which relate to foreign exchange, interest rates and credit.

2.4 Defensive Alternatives

2.4.1 Includes investment strategies designed to diversify away from traditional equity and fixed income market risk factors and exhibit low risk characteristics.

2.4.2 Includes assets contained within strategies such as—

- (a) Global Tactical Asset Allocation strategies;
- (b) Hedge funds;
- (c) Long/Short Equity;
- (d) Active currency;
- (e) Absolute Return strategies.

2.4.3 The portfolio may have exposure to a wide range of derivatives.

2.4.4 Fixed income securities may include fixed, floating and inflation-linked debt instruments. Fixed income securities will be rated at least BBB- by S&P (or equivalent) at the time of purchase. In the event of a security rating being downgraded below BBB-, the Board has the flexibility to maintain the security either to maturity or while it endeavours for an opportunity to sell at a reasonable price.

2.5 Australian Equities

2.5.1 Comprises exposure to equity instruments of entities listed (or expected to be listed within a reasonable timeframe) on an Australian stock market.

2.5.2 Investments may include long/short equity funds and exposure to equity instruments of corporations listed on an Australian stock market which have an alternative listing on a recognised overseas stock exchange.

2.5.3 The portfolio may contain derivatives exposure, e.g. derivatives which relate to foreign exchange, stocks or stock markets.

2.6 International Equities

2.6.1 Comprises exposure to equity instruments of entities listed (or expected to be listed within a reasonable timeframe) on a developed or developing country's public stock exchange.

2.6.2 Investments may include long/short equity funds.

2.6.3 The portfolio may contain derivatives exposure, e.g. derivatives may be used to hedge foreign exchange and currency exposure.

2.7 Private Equity

2.7.1 Equity, debt or other ownership rights to companies and properties in Australia and overseas that are typically not listed on a stock exchange.

2.7.2 The portfolio may contain derivatives exposure, e.g. derivatives may be used to hedge foreign exchange and currency exposure.

2.7.3 The Board may recommend to the Treasurer the establishment of wholly owned unit trusts (i.e. unit trusts whereby the Board is the sole investor) for the management of the Private Equity Kinds of Investments. Such unit trusts would require the appointment of both a trustee and an external investment manager. For the avoidance of doubt, the trustee and external investment manager can be separate entities (though are not required to be separate).

2.7.4 The Treasurer is responsible for approving the establishment of the unit trust, the appointment of the trustee and the appointment of the external manager, following advice from the Board. The same requirements apply for the appointment of a trustee as is the case for the appointment of an external investment manager.

2.7.5 The appointed Private Equity external investment manager may invest in collective investment vehicles managed by other investment managers. These investment managers do not require the approval of the Treasurer but will be reported on in accordance with Appendix C.

2.8 Property

2.8.1 Investments in Real Estate Investment Trusts (REITs) listed on an Australian or overseas stock exchange, or other such listed securities which derive their income predominantly from real property rents, capital growth and property services.

2.8.2 Investments can also include exposure to unlisted, real property funds which derive their income predominantly from real property rents, capital growth and property services.

2.8.3 The portfolio may contain derivatives exposure (e.g. derivatives may be used to hedge foreign exchange and currency exposure).

2.8.4 Debt instruments which have tangible property as the collateral or underlying security can also be included in the Property portfolio.

2.9 Infrastructure

2.9.1 Listed and unlisted equity in physical assets for the delivery, generation and transportation of energy, information, people and products and real property from which services to the community or government are delivered (e.g. airports, ports, roads, utilities, public buildings).

2.9.2 Debt instruments which have tangible infrastructure assets as the underlying security can also be included in the Infrastructure portfolio.

2.9.3 The portfolio may contain derivatives exposure (e.g. derivatives may be used to hedge foreign exchange and currency exposure).

2.10 Medium Risk Alternatives

2.10.1 Includes investment strategies designed to diversify away from traditional equity and fixed income market risk factors and exhibit medium risk characteristics.

2.10.2 Includes assets contained within strategies such as—

- (a) Global Tactical Asset Allocation strategies;
- (b) Hedge funds;
- (c) Managed futures;
- (d) High Yield Debt;
- (e) Long/Short Equity;
- (f) Active currency;
- (g) Insurance linked securities;
- (h) Emerging market debt;
- (i) Private and Distressed debt; and
- (j) Absolute Return strategies.

2.10.3 The portfolio may have exposure to a wide range of derivatives.

2.11 Currency Hedging

2.11.1 Currency hedging may be undertaken at a portfolio level, an asset class level or at a manager level.

2.11.2 Currency hedging arrangements may be effected via cash or cash equivalents and foreign exchange spot transactions and derivative exposures, including foreign exchange, forward foreign exchange contracts, swaps, futures and options.

2.12 Asset Allocation Re-balancing

2.12.1 Changes to asset allocations may be implemented via physical cash flow re-balancing or externally-implemented derivatives overlays.

3 Revision of Guidelines

3.1 The Treasurer will review these Guidelines annually.

3.2 The Board may propose amendments to the Guidelines.

4 Effective Date

4.1 These Guidelines shall be effective from the date of the Treasurer's Approval.

M. NAHAN, MLA, Treasurer.

Date 7 December, 2016.

Appendix A

LEGISLATIVE REQUIREMENTS

18. Power to invest

(1) The Board may invest the assets of the Fund in any form of investment that is, or is of a kind that is, approved by the Treasurer.

(3) The Board may—

- (a) deal with its investments; and
- (b) deal with or exercise, or choose not to exercise, any rights or obligations that are attendant on ownership of an investment.

19. Exercise of Investment Powers

(1) The Board is to formulate a strategy for the Fund.

(2A) The Board's investment strategy for the Fund is to be consistent with any relevant Treasurer's guidelines.

(2) In formulating its investment strategy the Board is to have regard to all of the circumstances of the Fund including—

- (a) the need to exercise care and prudence to maintain the integrity of the Fund; and
- (b) the—
 - (i) nature of; and
 - (ii) potential for capital appreciation and income return from; and
 - (iii) costs associated with making; and
 - (iv) risks associated with, different investments and different kinds of investments; and
- (c) the desirability of diversifying its investments; and
- (d) the liquidity of the Fund; and
- (e) its expected cash flow requirements; and
- (f) the level of existing and prospective liabilities.

(3) The Board is to review—

- (a) its investment strategy; and
- (b) the management and performance of its investments,

from time to time in accordance with any relevant Treasurer's guidelines.

(4) In exercising its powers under section 18 the Board is to—

- (a) act in accordance with any relevant Treasurer's guidelines; and
- (b) act so as to give effect to its investment strategy.

23. Investment Manager

(1) The Board may appoint—

- (a) an employee of the Board; or
- (b) a person approved by the Treasurer,

as an investment manager on terms determined by the Board.

(2) Subject to any relevant Treasurer's guidelines the Board may delegate to an investment manager all or any of its functions under section 18 with respect to all or part of the Fund.

(3) A person is not appointed as an investment manager within the meaning of this section unless the person is appointed for the purpose of enabling the Board to delegate a function to that person under subsection (2).

31. Guarantee of Benefits and Board's Obligations

(1) The Crown—

- (a) guarantees payment of every benefit payable under a scheme; and
- (b) may guarantee the performance by the Board of any of its obligations under this Act on terms determined by the Treasurer.

(2) The payment of money under a guarantee under subsection (1) is to be charged to the Consolidated Account (CA), and the CA is appropriated accordingly.

(3) Any amount received or recovered in respect of any payment made under a guarantee is to be credited to the CA.

Appendix B**INVESTMENT OBJECTIVES AND ASSET ALLOCATION****1.1 General**

1.1.1 This Appendix sets out the investment objectives and asset allocations for each scheme.

1.2 Gold State Super and Pension Schemes

1.2.1 The investment objectives of the Gold State Super and Pension Schemes are to—

| | |
|--------------------|--|
| (Primary) | Achieve a return after fees and tax of Average Weekly Earnings (“AWE”) + 2.5% p.a. over rolling five year periods. |
| (Secondary) | Achieve a return after fees in excess of the asset weighted benchmark return over rolling three year periods. |
| (Risk) | To limit the probability of the funding index (Assets / Accrued Benefits) being below 100% to less than one in every five years. |

1.2.2 The neutral asset allocation and ranges, within which the actual asset allocation is allowed to vary, are set out below.

| Sector | Neutral Asset Allocation (%) | Ranges (%) |
|--|------------------------------|--------------|
| Australian Equities | 24 | 12—36 |
| International Equities | 28 | 16—40 |
| Private Equity | 5 | 0—10 |
| Total “high risk” investments | 57 | 45—69 |
| Property | 9 | 3—15 |
| Infrastructure | 2 | 0—5 |
| Medium Risk Alternatives | 14 | 2—26 |
| Total “medium-risk” investments | 25 | 13—37 |
| Investment Grade Bonds | 5 | 0—17 |
| Defensive Alternatives | 10 | 0—22 |
| Cash | 3 | 0—33 |
| Total “Debt-type” investments | 18 | 0—36 |
| Total | 100 | |

1.3 Retirement Schemes (RI, RI-TAP)

1.3.1 The investment objectives of the Retirement Schemes investment plans are to—

| | | |
|---------------------|--------------------|---|
| Cash | (Primary) | Achieve a return of at least the Bloomberg AusBond Bank Bill Index over rolling 12 month periods. |
| | (Risk) | The probability of a negative absolute return over any 12 month period is expected to be negligible. |
| Conservative | (Primary) | Achieve a return after fees and tax of Consumer Price Index (“CPI”) + 2% p.a. over rolling five year periods. |
| | (Secondary) | Achieve a return after fees in excess of the asset weighted benchmark return over rolling three year periods. |
| | (Risk) | The estimated number of negative annual returns over any 20 year period is to be less than two. |
| Balanced | (Primary) | Achieve a return after fees and tax of CPI + 3% p.a. over rolling seven year periods. |
| | (Secondary) | Achieve a return after fees in excess of the asset weighted benchmark return over rolling three year periods. |
| | (Risk) | The estimated number of negative annual returns over any 20 year period is to be less than four. |
| Growth | (Primary) | Achieve a return after fees and tax of CPI + 4.5% p.a. over rolling ten year periods. |
| | (Secondary) | Achieve a return after fees in excess of the asset weighted benchmark return over rolling three year periods. |
| | (Risk) | The estimated number of negative annual returns over any 20 year period is to be less than six. |

1.3.2 The neutral asset allocation and ranges, within which the actual asset allocation is allowed to vary, are set out below.

| | Conservative Plan (%) | Balanced Plan (%) | Growth Plan (%) |
|--|------------------------------|--------------------------|------------------------|
| Australian Equities | 10 (4—16) | 21 (9—33) | 27 (15—39) |
| International Equities | 10 (4—16) | 25 (13—37) | 27 (15—39) |
| Private Equity | 2 (0—5) | 4 (0—8) | 6 (1—11) |
| Total “high risk” investments | 22 (16—28) | 50 (38—62) | 60 (48—72) |
| Property | 6 (0—12) | 7 (1—13) | 8 (2—14) |
| Infrastructure | 2 (0—5) | 2 (0—5) | 2 (0—5) |
| Medium Risk Alternatives | 2 (0—8) | 6 (0—18) | 10 (0—22) |
| Total “medium-risk” investments | 10 (4—16) | 15 (3—27) | 20 (8—32) |
| Investment Grade Bonds | 24 (12—36) | 22 (10—34) | 10 (0—22) |
| Defensive Alternatives | 8 (0—20) | 8 (0—20) | 6 (0—18) |
| Cash | 36 (16—56) | 5 (0—35) | 4 (0—34) |
| Total “Debt-type” investments | 68 (56—80) | 35 (17—53) | 20 (2—38) |
| Total | 100 | 100 | 100 |

1.4 West State Super Scheme

1.4.1 The investment objectives of the West State Super Scheme Investment Plans are to—

| | | |
|----------------------------|--------------------|---|
| Cash | (Primary) | Achieve a return of at least the Bloomberg AusBond Bank Bill Index over rolling 12 month periods. |
| | (Risk) | The probability of a negative absolute return over any 12 month period is expected to be negligible. |
| Conservative | (Primary) | Achieve a return after fees and tax of CPI + 2% p.a. over rolling five year periods. |
| | (Secondary) | Achieve a return after fees in excess of the asset weighted benchmark return over rolling three year periods. |
| | (Risk) | The estimated number of negative annual returns over any 20 year period is to be less than two. |
| My West State Super | (Primary) | Achieve a return after fees and tax of CPI + 3% p.a. over rolling seven year periods. |
| | (Secondary) | Achieve a return after fees in excess of the asset weighted benchmark return over rolling three year periods. |
| | (Risk) | The estimated number of negative annual returns over any 20 year period is to be less than four. |
| Growth | (Primary) | Achieve a return after fees and tax of CPI + 4.5% p.a. over rolling ten year periods. |
| | (Secondary) | Achieve a return after fees in excess of the asset weighted benchmark return over rolling three year periods. |
| | (Risk) | The estimated number of negative annual returns over any 20 year period is to be less than six. |

1.4.2 The neutral asset allocation and ranges, within which the actual asset allocation is allowed to vary, are set out below—

| | Conservative Plan (%) | My West State Super Plan (%) | Growth Plan (%) |
|--|------------------------------|-------------------------------------|------------------------|
| Australian Equities | 9 (3—15) | 16 (4—28) | 24 (12—36) |
| International Equities | 11 (5—17) | 30 (18—42) | 30 (18—42) |
| Private Equity | 2 (0—5) | 4 (0—8) | 6 (1—11) |
| Total “high risk” investments | 22 (16—28) | 50 (38—62) | 60 (48—72) |
| Property | 6 (0—12) | 7 (1—13) | 8 (2—14) |
| Infrastructure | 2 (0—5) | 2 (0—5) | 2 (0—5) |
| Medium Risk Alternatives | 2 (0—8) | 6 (0—18) | 10 (0—22) |
| Total “medium-risk” investments | 10 (4—16) | 15 (3—27) | 20 (8—32) |
| Investment Grade Bonds | 24 (12—36) | 22 (10—34) | 10 (0—22) |
| Defensive Alternatives | 8 (0—20) | 8 (0—20) | 6 (0—18) |
| Cash | 36 (16—56) | 5 (0—35) | 4 (0—34) |
| Total “Debt-type” investments | 68 (56—80) | 35 (17—53) | 20 (2—38) |
| Total | 100 | 100 | 100 |

1.5 GESB Super Scheme

1.5.1 The investment objectives of the GESB Super Scheme Investment Plans are to—

| | | |
|----------------------|--------------------|---|
| Cash | (Primary) | Achieve a return of at least the Bloomberg AusBond Bank Bill Index over rolling 12 month periods. |
| | (Risk) | The probability of a negative absolute return over any 12 month period is expected to be negligible. |
| Conservative | (Primary) | Achieve a return after fees and tax of CPI + 2.5% p.a. over rolling five year periods. |
| | (Secondary) | Achieve a return after fees in excess of the asset weighted benchmark return over rolling three year periods. |
| | (Risk) | The estimated number of negative annual returns over any 20 year period is to be less than three. |
| Balanced | (Primary) | Achieve a return after fees and tax of CPI + 3% p.a. over rolling six year periods. |
| | (Secondary) | Achieve a return after fees in excess of the asset weighted benchmark return over rolling three year periods. |
| | (Risk) | The estimated number of negative annual returns over any 20 year period is to be less than four. |
| My GESB Super | (Primary) | Achieve a return after fees and tax of CPI + 3.5% p.a. over rolling seven year periods. |
| | (Secondary) | Achieve a return after fees in excess of the asset weighted benchmark return over rolling three year periods. |
| | (Risk) | The estimated number of negative annual returns over any 20 year period is to be less than five. |

| | | |
|---------------|--------------------|---|
| Growth | (Primary) | Achieve a return after fees and tax of CPI + 4% p.a. over rolling ten year periods. |
| | (Secondary) | Achieve a return after fees in excess of the asset weighted benchmark return over rolling three year periods. |
| | (Risk) | The estimated number of negative annual returns over any 20 year period is to be less than six. |

1.5.2 The neutral asset allocation and ranges, within which the actual asset allocation is allowed to vary, are set out below.

| | Conservative Plan (%) | Balanced Plan (%) | My GESB Super Plan (%) | Growth Plan (%) |
|--|------------------------------|--------------------------|-------------------------------|------------------------|
| Australian Equities | 14 (8–20) | 23 (11–35) | 26 (14–38) | 32 (20–44) |
| International Equities | 13 (7–19) | 23 (11–35) | 25 (13–37) | 32 (20–44) |
| Private Equity | 2 (0–5) | 4 (0–8) | 6 (2–10) | 6 (1–11) |
| Total “high risk” investments | 29 (23–35) | 50 (38–62) | 57 (45–69) | 70 (58–82) |
| Property | 4 (0–10) | 7 (1–13) | 8 (2–14) | 8 (2–14) |
| Infrastructure | 2 (0–5) | 2 (0–5) | 2 (0–5) | 2 (0–5) |
| Medium Risk Alternatives | 2 (0–8) | 6 (0–18) | 8 (0–20) | 10 (0–22) |
| Total “medium-risk” investments | 8 (2–14) | 15 (3–27) | 18 (6–30) | 20 (8–32) |
| Investment Grade Bonds | 23 (11–35) | 18 (6–30) | 14 (2–26) | 4 (0–16) |
| Defensive Alternatives | 8 (0–20) | 7 (0–19) | 6 (0–18) | 2 (0–14) |
| Cash | 32 (12–52) | 10 (0–40) | 5 (0–35) | 4 (0–34) |
| Total “Debt-type” investments | 63 (51–75) | 35 (17–53) | 25 (7–43) | 10 (0–28) |
| Total | 100 | 100 | 100 | 100 |

1.6 Reserves

1.6.1 Investment objectives and asset allocations for reserves are to be determined by the Board.

1.7 Benchmarks

1.7.1 The benchmarks used to assess the performance of each asset class are to be determined by the Board.

Appendix C REPORTING

1.1 General

1.1.1 This Appendix sets out the minimum information to be provided by the Board in its regular reporting to the Treasurer.

1.2 Commentary

1.2.1 A general commentary on the investment activity of the GES Fund as a whole.

1.3 Performance

1.3.1 The return of each scheme compared with its primary and secondary return targets as defined by the investment objectives set out in Appendix B.

1.3.2 The return of each of the Board's asset class investments against the benchmarks set out in Appendix B.

1.3.3 The returns achieved by each investment manager against their benchmarks.

1.4 Asset Allocation

1.4.1 The actual asset allocation of each scheme investment plan.

1.4.2 A comparison of the actual asset allocation with the previous quarter and the neutral asset allocation and ranges of the investment scheme.

1.5 Manager Composition

1.5.1 Any appointments or terminations of external investment managers.

1.5.2 A list of any changes to underlying collective investment vehicles (and associated investment managers) within the Board's wholly owned unit trusts.

1.5.3 A list of any changes to the Board's unlisted property fund investments.

1.6 Liquidity

1.6.1 The liquidity profile of each scheme.

1.7 Securities Lending

1.7.1 The value of securities lent as at the end of each quarter.

1.8 Management Fees

1.8.1 A summary of the investment management fees for each scheme investment plan.

1.9 Compliance

1.9.1 The compliance with these Guidelines (or otherwise), both in respect to each external investment manager's portfolio and the GES Fund as a whole.

1.9.2 Details of any breaches of these Guidelines, which have occurred and the proposed actions being implemented to rectify these breaches.

STATE SUPERANNUATION ACT 2000
TREASURER'S GUIDELINES FOR GOVERNMENT EMPLOYEES SUPERANNUATION FUND

(1) Reserves

(2) Allocation of Costs

1 Background

1.1 Section 33 of the *State Superannuation Act 2000* provides for the issue of written guidelines as follows—

“33. Treasurer’s approvals and guidelines

(1) *An approval given by the Treasurer:*

(a) *must be in writing; and*

(b) *may be given when and how the Treasurer determines; and*

(c) *may be given in relation to a particular matter or matters of a particular kind.*

(2) *The Treasurer may after consulting the Board, issue written guidelines to be followed by the Board in relation to—*

(ga) *the maintenance of reserves and the formulation and review of a reserving strategy under section 20A; and*

(g) *the allocation of investment earnings and costs of managing and administering the Fund and the schemes under section 22”*

1.2 Section 20A of the *State Superannuation Act 2000* provides as follows—

“20A. Reserves in Fund and reserving strategy, Board’s functions as to

(1) *The Board may maintain reserves within the Fund*

(2) *The Board is to formulate a reserving strategy for the Fund*

(3) *The Board’s reserving strategy for the Fund is to be consistent with—*

(a) *the Board’s capacity to discharge the liabilities of the Fund, actual and contingent, as they fall due; and*

(b) *any relevant Treasurer’s guidelines*

(4) *The Board is to review its reserving strategy from time to time in accordance with any relevant Treasurer’s guidelines.*

(5) *In exercising its power under subsection (1) the Board is to—*

(a) *act in accordance with any relevant Treasurer’s guidelines; and*

(b) *act so as to give effect to the Fund reserving strategy”*

1.3 Section 22 of the *State Superannuation Act 2000* provides as follows—

“22. Allocation of Fund’s earnings and costs

(1) *The Board is to allocate—*

(a) *earnings derived from the investment of the Fund; and*

(b) *the costs of managing and administering the Fund and the schemes,*

between the schemes and where appropriate between Members.

(2) *In allocating earnings and costs under subsection (1) the Board is to—*

(a) *ensure compliance with any relevant guidelines; and*

(b) *otherwise act in accordance with section 6(2).”*

Definitions

1.4 **‘Accumulation Schemes’** means the West State Super Scheme, the GESB Super Scheme, the GESB Super (Retirement Access) Scheme, the Retirement Income Scheme and the Term Allocated Pension Scheme.

1.5 **‘Act’** means the *State Superannuation Act 2000*, as amended from time to time.

1.6 **‘Board’** means the Government Employees Superannuation Board.

1.7 **‘Defined Benefit Schemes’** means the Gold State Super Scheme, the State Pension Scheme and the Provident Scheme.

1.8 **‘Fund’** means the Government Employees Superannuation Fund.

1.9 **‘Reserving Strategy’** means the reserving strategy formulated by the Board under section 20A(2) of the Act.

1.10 **‘Treasurer’s approval’** (or **‘approval of the Treasurer’**) means approval given under section 33 (1) of the Act.

1.11 **‘Treasurer’s guidelines’** means the guidelines set out in this document, being guidelines issued by the Treasurer under section 33(2) of the Act.

1.12 **‘WSS’** means the West State Super Scheme.

2 Guidelines relating to Reserves

General Principles for the Establishment and Maintenance of Reserves

2.1 The Board may establish and maintain reserves for the Accumulation Schemes, provided that the purpose and operation of each reserve complies with the principles set out below in Clauses 2.4 to 2.14 inclusive.

2.2 The Board may establish and maintain a reserve for the Defined Benefit Schemes, subject to agreement with the Treasurer, provided the purpose and operation of the reserve complies with the principles outlined below.

2.3 If the Board seeks to establish a Defined Benefit Scheme reserve then the Board will provide a submission to the Treasurer that includes—

- (a) The purpose, operation, investment strategy and source of funding of the proposed reserve
- (b) A draft of the proposed amended Reserving Strategy; and
- (c) Any relevant advice obtained by the Board

Purpose

2.4 The purpose of every reserve must be set out in the Board's Reserving Strategy.

Operation

2.5 Any reserves in the Accumulation Schemes may only be derived from the surplus assets of those schemes, which would need to be generated from fees or any provision for costs charged to those scheme's members, depreciation and/or deductions from those scheme's investment returns. For the avoidance of doubt and subject to Clause 2.9, a reserve established in respect of a particular Accumulation Scheme may be derived from surplus assets of that Accumulation Scheme or any other Accumulation Scheme.

2.6 Each reserve must be debited with any costs incurred in relation to that reserve and credited with specified fees, investment return allocation and/or depreciation relating to that reserve. Each reserve will be invested and be credited/debited with investment earnings each year.

2.7 The sum of the reserves of the Accumulation Schemes, excluding the WSS Government Guaranteed Payments Reserve (WGGPR) (this reserve is formed from the merging of the WSS Minimum Benefit Guarantee Reserve and the WSS Insurance Reserve), shall not be less than zero.

2.8 The sum of the reserves of the Accumulation Schemes excluding WSS shall not be less than zero.

2.9 Unless otherwise agreed between the Board and the Treasurer, no transfer of assets is to occur between—

- (a) The WGGPR and any other Accumulation Scheme reserve or any Accumulation Scheme;

2.10 Unless the transfer is to meet member benefits which have transferred between the respective schemes, or it is otherwise agreed between the Board and the Treasurer, no transfer of assets is to occur between any Defined Benefit Scheme and any Accumulation Scheme (including any reserves).

2.11 Unless otherwise agreed between the Board and the Treasurer, any subsidisation of fees for Accumulation Scheme members is permitted only to the extent the subsidisation of fees can be met from—

- (a) The Accumulation Scheme reserves (other than the WGGPR); and
- (b) The surplus assets of other Accumulation Schemes.

Reporting

2.12 The Board will provide to the Treasurer on a regular basis, but at least annually, a report showing a reconciliation of all movements in each reserve over the financial year including—

- (a) Opening amount;
- (b) Transactions;
- (c) Earnings;
- (d) Closing amount; and
- (e) Substantiation of specific items, as requested.

2.13 The report will be provided to the Treasurer at the same time as the Fund Financial Statements.

Investment strategy

2.14 The strategic asset allocation of each reserve must be consistent with the Treasurer's Prudential Guidelines for GES Fund Investments.

Guidelines relating to the Establishment and Maintenance of Specific Reserves

2.15 The following sections relate to three specific reserves only, being the WGGPR, the Accumulation Schemes Operational Risk Reserves and the Accumulation General Reserve. Under Clause 2.1, the Board may establish and maintain other reserves for the Accumulation Schemes, provided that the purpose and operation of each reserve complies with the principles set out in Clauses 2.4 to 2.14 inclusive.

WSS Government Guaranteed Payments Reserve (WGGPR)

2.16 The Board currently maintains a reserve referred to as the WGGPR. This has been formed from the merging of the Minimum Benefit Guarantee Reserve and the WSS Insurance Reserve.

2.17 The purpose of the Minimum Benefit Guarantee Reserve was to meet any minimum benefit guarantee payments to WSS members, and to meet other WSS scheme related payments as may be agreed with the Treasurer. Going forward the WGGPR will serve the same purpose.

2.18 Until 30 June 2001, the Act provided for a guaranteed earning rate on WSS member accounts of CPI+2% pa each year.

2.19 From 1 July 2001, member investment choice was introduced and thereafter members' accounts are credited with the actual investment returns for the investment options they elect.

2.20 A WSS member is guaranteed to be paid the greater of—

- (a) The member's account balance at the date of payment; and
- (b) The member's account balance at 30 June 2001 together with earnings at the rate of CPI+2%pa each year from 30 June 2001 to the date of payment ("Minimum Benefit Guarantee")

2.21 If the Minimum Benefit Guarantee is greater than the member's account balance, then a Minimum Benefit Guarantee payment is required to fund the difference.

2.22 The potential for Minimum Benefit Guarantee payments to be made to WSS members will continue as long as there are any remaining WSS members with 30 June 2001 account balances.

2.23 If the WGGPR is exhausted and additional funds are required to meet Minimum Benefit Guarantee payments, then the Board must seek the approval of the Treasurer as to how to meet those costs.

2.24 If there are no further Minimum Benefit Guarantee payments to be made, then any remaining assets in the WGGPR will be dealt with as agreed between the Board and the Treasurer.

2.25 The WSS Minimum Benefit Guarantee Reserve was determined to be \$44m as at 30 June 2009 (refer to the Review of Reserves report by PwC 18 December 2009) and accepted by the Treasurer. The principles set out above in Clauses 2.4 to 2.14 inclusive should be applied to the 30 June 2009 balance to determine the value of the Minimum Benefit Guarantee Reserve going forward.

2.26 The Board previously maintained a reserve known as the Insurance Reserve for WSS. This has now been merged and forms part of the WGGPR.

2.27 The purpose of the Insurance Reserve was to meet the cost of any death and disablement claims not met by the third party insurer. Going forward the WGGPR will serve the same purpose.

2.28 Until 30 June 2008, the State acted as the insurer to WSS and was responsible for ensuring all insurance claims incurred each year could be met by WSS.

Following transfer of insurance to a third party insurer, as at 1 July 2008, the State remained the insurer for the following Board approved insurance claims—

- (a) All death and disability claims arising from pre-existing conditions to 30 June 2008 that resulted in the member not attending work, or capable of performing work, in their usual position with the participating employer from 1 July 2008 when the new insurance provisions apply
- (b) Any death and disability claims in excess of the external insurance cover for those members whose default cover provided by the third party insurer on takeover at 1 July 2008 was less than their existing self insurance cover at the takeover date
- (c) Any disability claims where the third party insurer declines the payment of a total and permanent disability benefit; and
- (d) As insurance cover in WSS lapses on termination of employment with a participating employer, if a member terminates employment on or after 1 July 2008, any subsequent death or disablement claim is excluded from 2.28(a) to (c) above.

2.29 If the reserve is exhausted and additional funds are required to meet claim costs, then the Board will seek the approval of the Treasurer as to how to meet those costs.

2.30 If there are no further claim costs to be paid, then any remaining assets in the WGGPR will be dealt with as agreed between the Board and the Treasurer.

2.31 The WSS Insurance Reserve was determined to be \$6.0m as at 30 June 2010 (refer to the Fund financial statements and Actuarial Review at that date) and accepted by the Treasurer. The principles set out above in Clauses 2.4 to 2.14 inclusive should be applied to the 30 June 2010 balance to determine the value of the Insurance Reserve going forward.

Accumulation Schemes Operational Risk Reserves

2.32 The Board may maintain a reserve known as the Operational Risk Reserve for each of the Accumulation Schemes, including WSS.

2.33 The purpose of the Operational Risk Reserve is to allow the Board scope to meet the costs incurred in responding to any operational risk events (for example, fraud, operational errors and business interruption) of the relevant Accumulation Schemes. The costs may include those which are not met by third parties or are recoverable from third parties or insurance only at a later time, or those where an excess applies under insurance or indemnity arrangements.

2.34 The Operational Risk Reserve was determined to be nil as at 30 June 2009 (refer to the Review of GESB Reserves report by PwC 18 December 2009) and accepted by the Treasurer. The principles set out above in Clauses 2.4 to 2.14 inclusive should be applied to the 30 June 2009 nil balance to determine the value of the Operational Risk Reserve going forward.

Accumulation Schemes Accumulation General Reserves

2.35 The Board may maintain a reserve known as the Accumulation General Reserve for each of the Accumulation Schemes, including WSS.

2.36 The purpose of the Accumulation General Reserve is to support the costs of development and superannuation reforms that are relevant for the Accumulation and Retirement Product schemes.

2.37 The agreed value for the Accumulation General Reserve was determined to be nil as at 30 June 2013. The principles set out above in Clauses 2.4 to 2.14 inclusive should be applied to the 30 June 2013 nil balance to determine the value of the Accumulation General Reserve going forward.

Accumulation Schemes Operational Risk

2.38 If the Operational Risk Reserve, Accumulation General Reserve and any other reserves, which have been established and maintained for the relevant Accumulation Schemes (other than the WGGPR), are insufficient to meet the costs of an operational risk event, the Board shall obtain the approval of the Treasurer before proceeding to meet the shortfall.

- (a) In obtaining the approval of the Treasurer the Board must provide a submission to the Treasurer outlining a proposed course of action to address the expected shortfall
- (b) The Treasurer may request any additional information as is necessary
- (c) Within 2 business days of receiving the submission and all supplementary information which has been requested (if any), the Treasurer will provide a decision regarding the source of funding the costs, which may include, but is not limited to, an appropriation from the consolidated revenue of the State or a transfer of assets from the Defined Benefit Schemes; and
- (d) In reaching a decision, the Treasurer may take into consideration any matters which the Treasurer thinks fit including but not limited to the quantum of the shortfall, the likely recoveries and the financial position of the Defined Benefit Schemes

Formulation of the Reserving Strategy

2.39 When formulating or amending the Reserving Strategy for the Fund, the Board will take into account the following matters—

- (a) The Board's capacity to discharge the liabilities of the Fund, actual and contingent, as they fall due
- (b) The guidelines set out above in relation to the maintenance of reserves, including specific reserves
- (c) Any advice sought and obtained from the Fund Actuary; and
- (d) All relevant APRA guidance (including Superannuation Prudential Practice Guides and Superannuation Circulars as may be published from time to time) on the use of reserves in superannuation funds

2.40 The Board will provide a copy of the Reserving Strategy (and any subsequent amendments) to the Treasurer within 30 days of approval of the Reserving Strategy by the Board.

Review of the Reserving Strategy

2.41 The Board will carry out a review of the Reserving Strategy annually.

2.42 Following the review, the Board will provide the Treasurer with a copy of a report on the review of Reserving Strategy. The information to be provided to the Treasurer will include details of—

- (a) Any advice obtained from the Fund Actuary or other advisor; and
- (b) The Board's conclusions in relation to the review

2.43 The report will be provided to the Treasurer within 30 days of completion of the review.

2.44 If at any time the Board decides to amend the Reserving Strategy as an outcome of its review of the Strategy, then the guidelines set out above in Formulation of Reserving Strategy, will apply.

3 Guidelines relating to the Allocation of Costs

Defined benefit schemes

3.1 The GESB Board will determine the appropriate allocation of costs to the Defined Benefit Schemes (including any costs in relation to an operational risk event that impacts the Defined Benefit Scheme members) and these costs will be met by the State in a manner approved by the Treasurer.

3.2 The Treasurer has approved the following treatment.

- (a) Costs relating to administering the defined benefit schemes will be agreed with Treasury (through the annual Statement of Corporate Intent approval process) and funded by direct appropriation from the Consolidated Account. Therefore—
 - (i) the allocated costs to the Defined Benefit Schemes are not to be included in the recoupment rate as determined by the Actuary; and
 - (ii) the employer contribution rate determined by the Treasurer (for self funded agencies) will explicitly disclose the dollar amount or percentage which reflects the allocated costs
- (b) The appropriation from the Consolidated Account funds all the allocated costs for the Defined Benefit Schemes. Therefore the portion of the employer contribution rate to meet allocated costs will be applied towards the Defined Benefit Scheme's accrued liabilities; and
- (c) The Treasurer will determine how any costs relating to an operational risk event that impacts Defined Benefit Scheme members will be met. Such costs may be met by appropriation from the Consolidated Account or from the Defined Benefit Scheme assets as determined by the Treasurer.

Accumulation schemes

3.3 The GESB Board will determine the appropriate allocation of costs to the Accumulation Schemes (including any costs in relation to an operational risk event that impacts the Accumulation Scheme members) and these costs will be met from the Accumulation Scheme assets unless otherwise approved by the Treasurer.

4 Revision of these Guidelines

4.1 The Treasurer may review these Guidelines annually but will undertake a review at least once every three years.

4.2 The Board may propose amendments to the Guidelines.

5 Effective Date

5.1 These Guidelines shall be effective from the date of the Treasurer's Approval.

Dr MIKE NAHAN, MLA, Treasurer.

Date 31 January 2017.
