

annual report 2001-02

our vision

To be the Fund of Choice for the Public Sector

As part of our change strategy and in support of our vision, we will continue to improve our services to members and provide the best possible value for their loyalty by:

- achieving an appropriate level of return from the funds under management;
- developing a comprehensive range of superannuation products;
- providing a superior level of service to our clients;
- working with stakeholders for our members; and
- continually improving the way we do business and deliver services.

TO THE HON NICK GRIFFITHS LLB MLC

MINISTER FOR RACING AND GAMING; GOVERNMENT ENTERPRISES; GOLDFIELDS-ESPERANCE

In accordance with Section 66 of the *Financial Administration and Audit Act 1985*, we hereby submit for your information and presentation to Parliament, the Annual Report of the Government Employees Superannuation Board for the financial year ended 30 June 2002.

The Annual Report has been prepared in accordance with the provisions of the *Financial Administration and Audit Act 1985*.

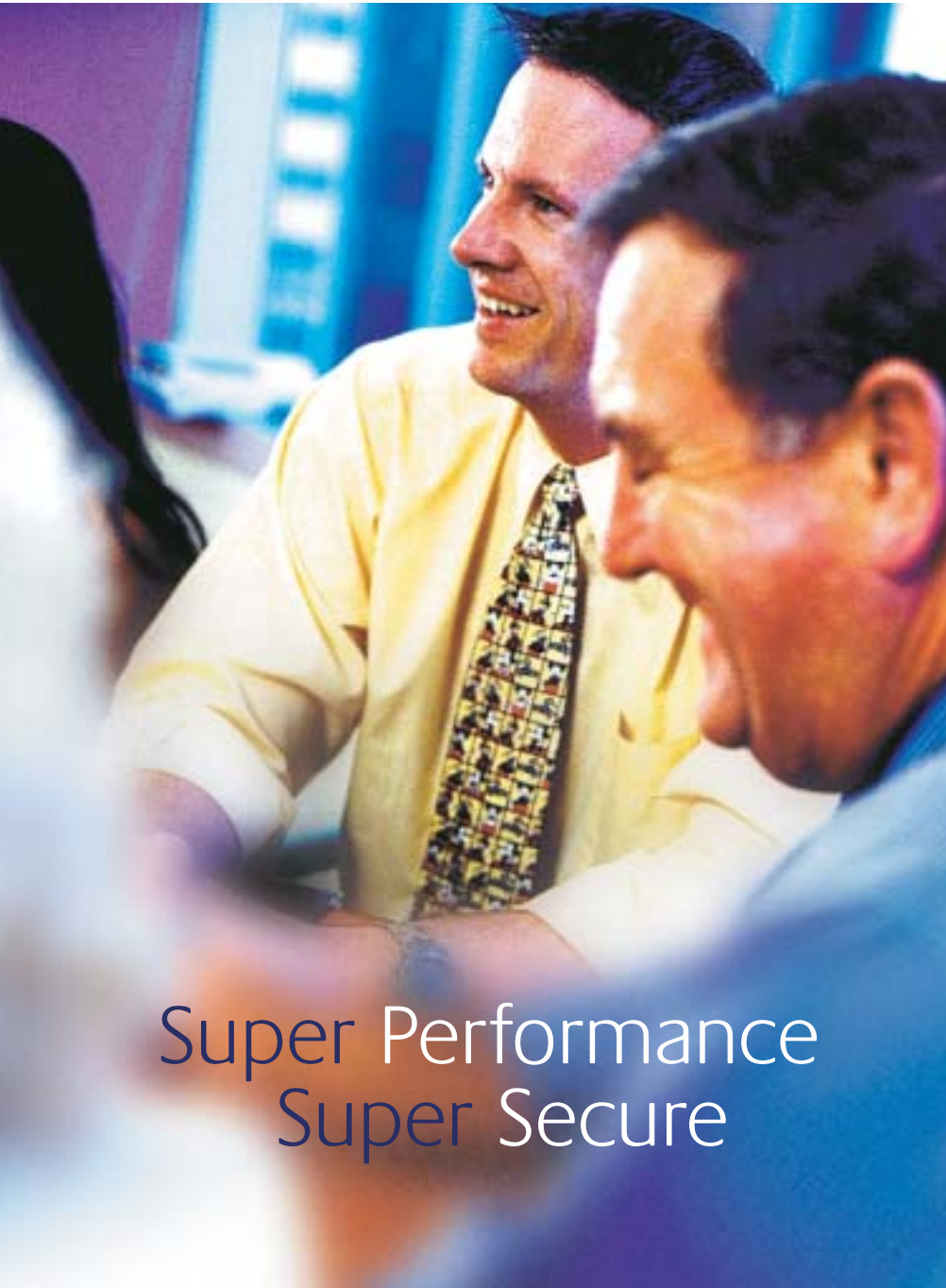


F. E. HARRIS

CHAIRMAN

31 August 2002

The GESB profile



Super Performance
Super Secure

The Government Employees Superannuation Board is the largest Western Australian based superannuation fund continually building a progressive business focussed on performance and personalised services.

The Government Employees Superannuation Board (GESB) continues to provide a superior level of security. We use our experience and knowledge to secure the most appropriate rate of return from the \$3 billion in funds under management on behalf of our 267,325 members, who are, or have been, employed in the Western Australian Public Sector.

Funds under management are derived from three superannuation schemes. West State Super is an accumulation style scheme open to all current and future members. Gold State Super is a defined benefit, lump sum scheme that has been closed to new members since 1995. The Pension Scheme is a salary linked unit based pension scheme that has been closed to new members since 1986.

Our vision to be the fund of choice for the public sector recognises the importance we place on developing higher performance standards and delivering the best value and better benefits to our members and employer agencies. We listen to our clients and tailor our services to meet individual needs as much as possible, and continuously develop new ways of doing things better.

This focus on clients has driven us to deliver a comprehensive investment strategy in partnership with some of the world's most prominent investment industry managers; a growing suite of contemporary superannuation products; and new customer service facilities that meet our members' growing expectations.

Brief Highlights

Membership Accounts:

West State Super	211,491
Gold State Super	43,823
Pension Scheme	12,004

Member Investment Choice introduced for West State Super members:

Balanced Plan	92.71%
Growth Plan	5.49%
My Plan	1.31%
Conservative Plan	0.24%
Cash Plan	0.23%

Management Expense Ratio as the investment management cost per dollar invested as a percentage of the portfolio mean value was 0.28%.

Developed products for members who have retired and conducting feasibility studies into other products. Strengthened our relationship with members and client employers.

The GESB employed 185 people.

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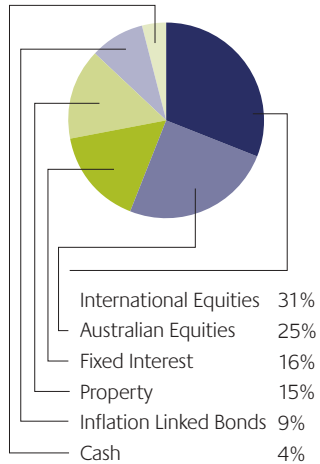
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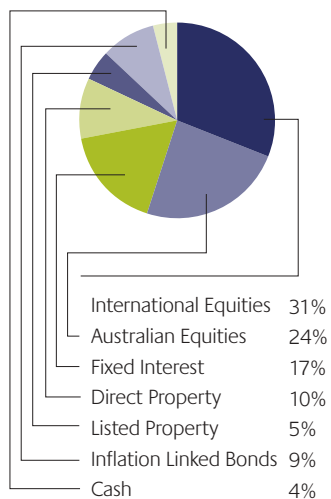
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The year at a glance

Portfolio Composition
2001/2002



2000/2001



- Funds under management reached the \$3 billion mark. The investment strategy continued to be supported by some of the world's most prominent investment industry managers.
- On a rolling three-year basis, the Gold State Super and Pension schemes achieved a return of 3.63%, exceeding the benchmark of 2.65%.
- Within the West State Super (WSS) scheme, the Member Investment Choice (MIC) Balanced Plan (the plan adopted by 93% of members) produced a return of -2.55% in its inception year. Although the negative return is disappointing and despite a difficult year for financial markets, the Plan still comfortably exceeded the benchmark return of -3.19%.
- Member perceptions measured in November 2001 indicated that the GESB had successfully re-positioned itself as a responsible financial and investment manager, offering members a stable, secure and professional investment environment with low fees and charges.
- MIC was introduced on 1 July 2001 for members of the WSS scheme. More than 180,000 members were able to choose one of four Investment Plans, or further customise their investment strategies by using MY Plan to give them even greater flexibility.
- Retirement Access was developed and implemented. This is the first of the GESB's superannuation products for members who have retired from the WA Public Sector.
- The number of members in the Fund increased to 267,325.
- Improved services provided by the Member Services Centre included 1,086 personal interviews with members, and conducted education seminars, attended by 5,184 members. A mobile display unit was also placed on the premises of employer agencies to promote our services.
- The web site was upgraded to include MIC performance reporting and employer communications.
- Employer Service Promise agreements were introduced with agencies to improve personal contact and discussion. Briefings and forums were also held with their representatives to consider the latest superannuation developments.
- Communications continued to improve, with the introduction of six-monthly statements to members and a new members' report, *Hands on Investor*, as well as two new quarterly publications – *HR Super Star* and *Super Smart* for employer agencies.
- The development of a Customer Relationship Management strategy commenced with the implementation of a pilot study.
- Feasibility studies were conducted for allocated pensions, spouse contributions, opt-out insurance and financial planning services.
- A major organisational restructure was undertaken in the Superannuation Operations area, to ensure new client performance standards were delivered.
- The development of a Strategic Information Technology Business Plan commenced, to improve planning in this area and deliver increased benefits and value to both members and employer agencies.
- The GESB moved into the accountability framework applying to Government Business Enterprises.
- Planning for a new Strategic Plan commenced and included input from four scenarios developed through scenario planning.
- The Leadership Development Program was introduced to develop staff members to take on the necessary leadership roles that are essential to continue to improve our performance and delivery.
- A new accounting system was implemented to go live on 1 July 2002.
- The Information Technology outsourcing contract fulfilled satisfactory outcomes in its first full year of operations.
- Security of member data continued to be upgraded.

Chairman and Executive Director's review

“Our other business activities during the year continued to deliver greater benefits to members and employer agencies...”

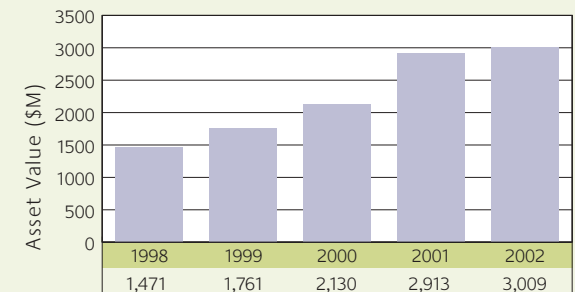


Chairman, Fiona Harris and Executive Director Peter Farrell.

In a year that proved to be difficult for the financial markets, the GESB met the challenges remarkably well and continued to build on its strengths. Improvements were made to our corporate image by positioning ourselves as a fund that offers members a secure, personal and progressive environment, as well as professional investment management, with low fees and charges. Improvements to our member focused and business-oriented organisation also continued.

The downturn in sectors of the world economy, particularly in the United States; the terrorist attacks of 11 September 2001; and recent concerns about bankruptcies, profit down-grades, and corporate accounting practices, have all had a significant negative impact on investor sentiment and consequently the major world share markets. Given that a considerable amount of the GES Fund assets are invested in equity markets (as are most other superannuation funds), the return on the Member Investment Choice (MIC) Balanced Fund in West State Super was -2.55%. Although this return is disappointing, it still comfortably exceeded the benchmark and compares more favourably than the median return of industry peer funds. The return was better for the Gold State Super and Pension schemes due to assets invested in direct property, which generated a strong positive return. On a rolling three-year basis, these schemes achieved a return of 3.63%, exceeding the benchmark of 2.65%.

PORTFOLIO VALUE (\$M)



It is pleasing to note that our other business activities during the year continued to deliver greater benefits to members and employer agencies through improved services and additional contemporary superannuation products. This progress is clear evidence of our commitment to provide ongoing value to our members.

Since 1 July 2001, the MIC initiative has been available to members of the West State Super scheme. Members' satisfaction with this scheme has further improved to 72.6%. The superannuation fund administration system (CAPITAL) that was implemented in April 2001, underwent considerable change and refinement so that MIC operated at peak efficiency, ensuring the timely allocation of funds in accordance with member requests.

The development and implementation of the Retirement Access product took place during the year. This product reflects our desire to listen to our

members and tailor products to meet their individual requirements. It is also a reflection of our commitment to offer competitive products and related services. Retirement Access gives members who have retired the option of leaving their funds invested with the GESB until age 65, with the flexibility to access all or part of their money during that time. The product will be available from 1 July 2002.

This year we conducted feasibility studies into a number of other superannuation products identified through research with members. The studies involved an allocated pension, spouse contributions, opt-out insurance and financial planning services.

The strengthening of relationships with our members and employer agencies has also continued through personal contacts and interviews, seminars, briefings, upgrades to our web site and publications. This activity is vital to ensure that we are able to respond to the needs of these groups. It also provides us with information for informed decision-making and keeps these groups up to date on the latest superannuation developments.

We continually aim to set new standards of performance and deliver the best outcomes for our clients. As part of this, a major operational branch of the organisation was restructured to support our strong service culture and delivery of accurate and dependable information.

Our future ability to deliver the best superannuation products and services is very important. With this in mind, the Board embarked on a comprehensive review of its long-term strategies and positioning in the market. This work will contribute to the development of a new and comprehensive Strategic Plan that will provide business direction and the development of priorities over the next five years.

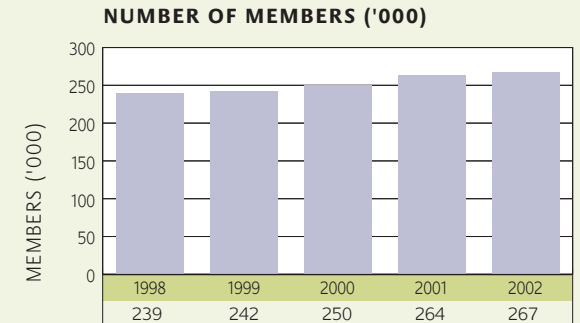
Reflecting on the achievements over the past year, these were only made possible by the total commitment, energy and enthusiasm of all of the staff and the Board directors. We thank them for their acceptance of the challenges, their valuable contributions and diligent efforts in delivering most satisfying and valuable outcomes. We look forward to working together with them over the next twelve months, to build an even better business for all of our members.



FIONA HARRIS
CHAIRMAN



PETER FARRELL
EXECUTIVE DIRECTOR



Corporate strategy planning and strategic management – delivering results

The Government Outcome, as specified in our legislation, requires the GESB to ensure that the Fund and Schemes are “managed in the best interests of members”. As part of its corporate strategy planning, the Board continues to monitor and review the business outputs and priorities in the further progress of member interests.

The table below reflects the structure of the Corporate Strategy Plan and was used as the basis for performance reporting during the year. It is also the basis of the structure for this Annual Report.

Our Vision

To be the Fund of Choice for the Public Sector

Government Outcome

The Government Employees Superannuation Fund and Schemes are managed in the best interests of members

Our Mission

To provide quality superannuation services to the Western Australian Public Sector

External Outputs

Output	Priorities
Output 1	
A range of competitive products that are attractive and relevant to the GESB's clients.	New products;
Develop a range of products that meet our members' needs.	Research and development;
	Funds management.
Output 2	
Client focussed service.	Quality member services;
Provide services that exceed client expectations and needs to cultivate client loyalty and satisfaction.	Quality employer services;
	Business systems strategy.

Internal Outputs

Output 3	
Active external support.	Manage effective relationships with key stakeholders;
Gain support and loyalty from stakeholders who will actively endorse and support the GESB's products and initiatives and promote the GESB as the “fund of choice”.	The GESB's performance story;
	Positive corporate image.
Output 4	
Appropriate and progressive organisational culture.	A productive, efficient, client focussed workforce;
Develop a progressive culture that enables the GESB to operate in a financially competitive environment and meet client needs.	To be an “employer of choice”;
	Outcome support.

Summary of operations

OUTPUT 1

A range of competitive products that are attractive and relevant to the GESB's clients.

- Sound investment performance.
- Quality superannuation products.

HIGHLIGHTS

- Investment returns exceed their benchmark returns.
- Funds under management reached \$3b.
- Member Investment Choice (MIC) now operational.
- Retirement Access product developed.
- Feasibility studies into other superannuation products.

PROGRESS AGAINST PRIORITIES

- Ongoing monitoring, evaluation and improvement in the way we manage the funds under management.
- Member satisfaction of MIC up to 72.6%.
- Approximately 300 members registered interest in the new Retirement Access product.
- Feasibility studies into an allocated pension, spouse contributions, opt-out insurance show encouraging signs.
- More research being conducted on financial planning services.

GOALS FOR 2003

- Introduce a new property asset class strategy.
- Further diversify asset classes and portfolio managers.
- Introduce Retirement Access, spouse accounts, opt-out insurance and an allocated pension.

OUTPUT 2

Client focussed service.

- Striving for excellence in client services.

HIGHLIGHTS

- Member satisfaction with services up to 78.5%.
- Numerous personal contacts with members and employer agencies.
- Innovative marketing at workplaces.
- Member statements now issued 6-monthly.
- Employer Service Promise agreements introduced.
- Customer Relationship Management (CRM) strategy designed.

PROGRESS AGAINST PRIORITIES

- "Hands on Investor" publication launched as part of ongoing communication strategy.
- 1,086 member interviews.
- 5,184 members attend education program seminars.
- 56 employer agencies sign-up Employer Service Promise Agreements.
- 8 employer forums conducted.
- 369 personal visits made to employer agencies.
- Operations branch restructured to improve performance.
- Developed three-year strategic information technology business plan.
- Web site upgraded.

GOALS FOR 2003

- Increase personal contact with members and employers.
- Market new products and opportunities.
- Launch new web site and improved facilities.
- Commence Phase 2 of CRM strategy.
- Develop an e-business strategy to extend electronic member access.

OUTPUT 3

Active external support.

- Working with Stakeholders for our members.

HIGHLIGHTS

- Regulations amended to facilitate Retirement Access.
- Government Business Enterprise accountability framework drives new strategic planning.
- Two National Competition Policy reviews completed.
- Business performance for the year is achieved.

PROGRESS AGAINST PRIORITIES

- Regulation changes allow development of Retirement Access as well as other changes.
- Consultations took place on proposed legislation impacting superannuation.
- Draft Strategic Development Plan and Statement of Corporate Intent documents delivered to Minister.
- Market research indicates we are delivering the products and services members demand.
- Regular business performance reporting ensures that results are delivered.
- Board embarks on review of future strategies.

GOALS FOR 2003

- Develop a new Strategic Plan, Strategic Development Plan and Statement of Corporate Intent.
- Develop further regulations to deliver new products and services to members.

OUTPUT 4

Appropriate and progressive organisational culture.

- Responding to change.

HIGHLIGHTS

- Workforce profile includes more experienced and professional staff.
- More women at senior levels.
- Leadership Development Program introduced.
- No reportable workers compensation occurrences.
- Unscheduled absences reduced by 23%.
- Four scenarios developed to aid strategic management.
- Oracle accounting system developed.
- Security of member data and continuity of service to be upgraded.

PROGRESS AGAINST PRIORITIES

- An organisation restructure refines our strategic alignment.
- Workforce now has better blend of knowledge and skills through more recruitment.
- A Leadership Development Program and Wellness Program supports staff and provides value for members.
- A project continues to relocate primary computing to a Class 1 Data Centre.
- IT out-sourced contractor continues support.

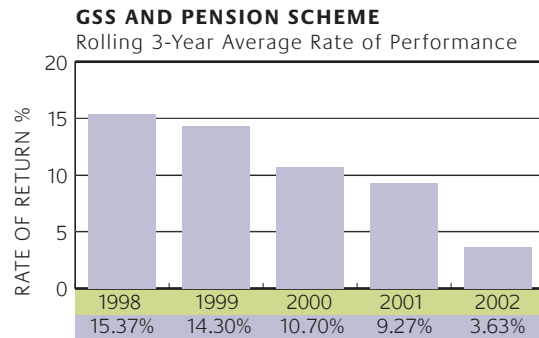
GOALS FOR 2003

- Continue Leadership Development Program and Wellness Program.
- Relocate primary computing to a Class 1 Data Centre.
- Implement the Strategic Information Technology Business Program.
- Monitor and evaluate developed scenarios.

Output 1

A range of competitive products that are attractive and relevant to the GESB's clients

Sound investment performance



Managing the portfolio

The Board has continued to pursue an investment philosophy that aims to achieve an appropriate level of return from the GESB assets over the long term. The interests of members have been the significant driver in this endeavour. As such, investment strategies have been regularly monitored and controlled. In managing the portfolio, the Board is supported by a team of dedicated and highly qualified professionals, who manage all investment activities. This team is further supported by some of the world's most prominent investment industry managers. It is this disciplined approach to investing that ensures that the GES Fund achieves the best possible investment returns.

Improving the portfolio

To deliver ongoing value to both members and stakeholders, cost cutting measures during the year resulted in a saving in excess of \$1.5 million in investments operating costs, reducing the management expense ratio that is passed on to members.

Background to new investment reporting

Introduction of the MIC initiative on 1 July 2001 has necessitated a change in the way that investment returns are presented. The total funds under management are now managed under multiple asset allocation strategies reflecting the nine MIC investment plans within the West State Super (WSS) scheme as well as a separate and common investment strategy for the Gold State Super (GSS) and Pension defined benefit schemes.

The asset allocation strategy for the GSS and Pension schemes is identical to that of the total fund prior to 1 July 2001. Accordingly, for the purposes of continuity of investment return history, the GSS and Pension schemes return carries forward from the total fund return.

Investment results

On a rolling three-year basis, the GSS and Pension schemes achieved a return of 3.63%, exceeding the index benchmark of 2.65%. Performance relative to the real return target set by the Board is shown in the table below.

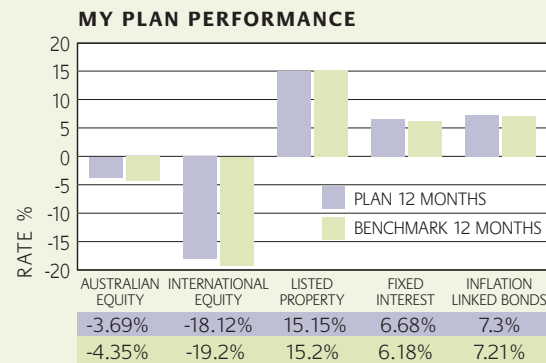
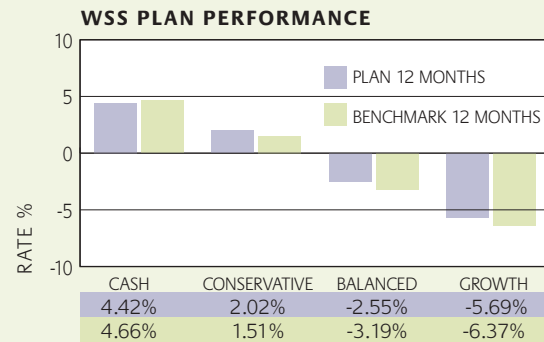
Within the WSS scheme, the MIC Balanced Plan (the plan adopted by 93% of members) produced a gross return of -2.55% in its inception year. Although the negative return is disappointing, this was a very difficult year for financial markets and the Plan still comfortably exceeded the benchmark return of -3.19%. The return also compares very favourably to a survey of leading industry peer funds that produced a median return of -4.1%¹. As such, the scheme's return is considered a commendable outcome.

The total fund increased in size over the year, from \$2.9 billion to \$3.0 billion with \$1.4 billion invested within the WSS investment plans and the balance in GSS and Pension schemes.

Details of the GESB's asset class performance over the last three years relative to index benchmarks are shown in Appendix 2.

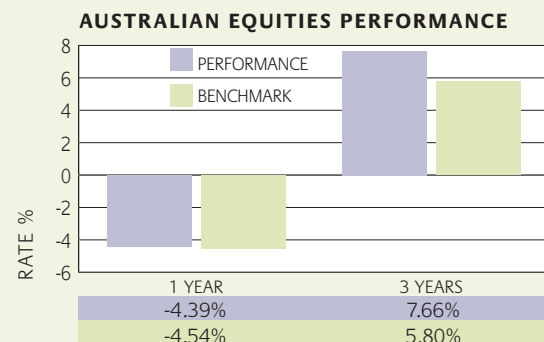
¹ Mercer Pooled Fund Survey – June 2002.

WSS Plan Performance – 1 Year



Note: All MY Plans include 2% cash component

Asset class review



Asset class review

Australian Equities Performance

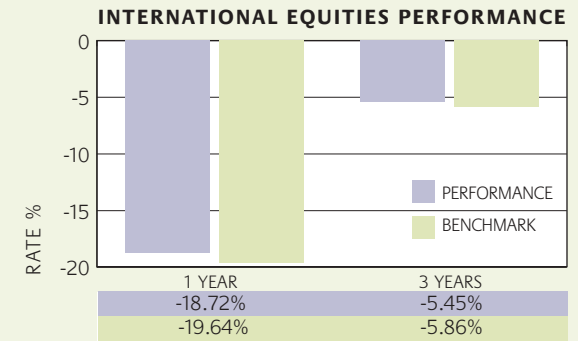
Impacted by the negative performance of major offshore markets, Australian shares produced their first negative annual return in more than 20 years. However, the defensive characteristics of this domestic market saw the benchmark decline contained to -4.54%, much less than the actual falls recorded in major offshore markets.

All specialist Australian equities managers engaged by the GESB generally matched or exceeded their benchmarks for the year and overall, the Australian equities portfolio achieved a return 0.15% in excess of the benchmark.

At 30 June 2002, the allocation to the Australian equities portfolio was \$726.1m or 24.1% of total fund assets and comprised:

- two externally managed active portfolios benchmarked to the S&P/ASX 200 Index;
- an externally managed active portfolio of small capitalisation stocks benchmarked to the S&P/ASX Small Ordinaries Index; and
- an internally managed passive portfolio benchmarked to the S&P/ASX 100 Index.

International Equities Performance

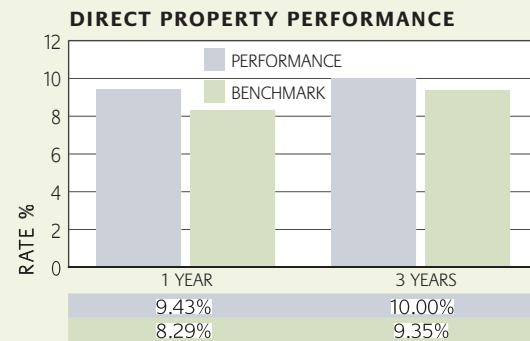


The events of 11 September 2001 dealt a severe blow to equity market confidence around the world. In addition, the undertone of earnings uncertainty and negative corporate governance and accounting issues in the United States, made 2002 a volatile year in international equities. As a result, the sector benchmark declined by 19.6%. Despite these challenges of the market, the specialist equities managers engaged by the GESB generated a collective out-performance of 0.92% relative to the sector benchmark in this portfolio.

At year's end, \$940.2m of the total fund's assets or 31.2% was invested in international equities. The largest country exposure is the USA, which represents slightly more than 50% of global equity markets by capitalisation. The Board's passive international equities manager managed a permanent foreign currency hedge over approximately 50% of the international equities portfolio.

There was no change to the GESB's specialist international equity managers during the year. In addition to a core passive manager, there were five active managers. Two managers for US equities, two managers for ex-US developed equities and one manager for emerging markets.

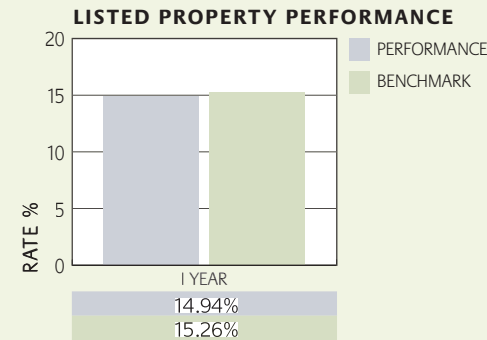
Direct Property Performance



The direct property sector again displayed its best defensive attributes, with a strong positive return providing the direct property assets class with a return of 9.43%, exceeding the market benchmark of 8.29%. At 30 June 2002, the allocation to the direct property portfolio was \$312m or 10.4% of total fund assets.

One of the Board's property assets, 10 Kings Park Road, was put to public tender during the year and settlement of the sale was effected subsequent to year end.

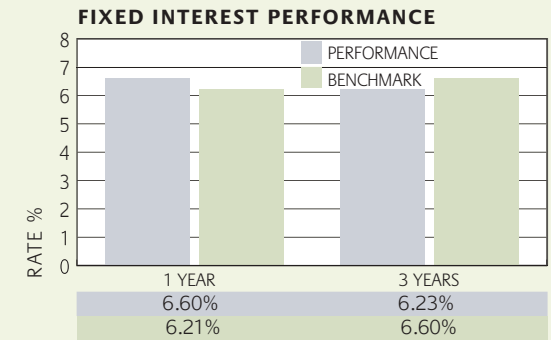
Listed Property Performance



The MIC initiative led to the introduction of listed property securities within the WSS Scheme. It proved to be fortuitous timing, with listed property leading the returns of all other asset classes by a considerable margin and resulting in a return of 14.9%, marginally under the market benchmark.

Listed property securities represented about \$141.2m or 4.7% of total funds assets at year's end and are managed by two specialist external active fund managers.

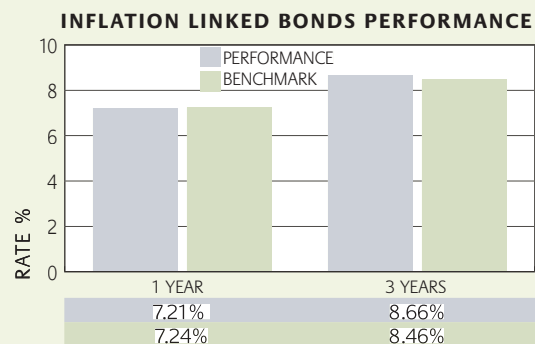
Fixed Interest Performance



The Australian fixed interest market experienced a volatile but positive year, buffeted by global economic uncertainty and generally higher official interest rates. While a move to quality in the final quarter of 2002 bolstered the market, the adoption of a tightening interest rate bias by the Reserve Bank of Australia resulted in the sector producing a slightly lower return than in 2001. This portfolio returned 6.60% relative to the market benchmark of 6.21%.

The allocation to the fixed interest portfolio was \$507.4m or 16.8% of total fund assets and comprised:

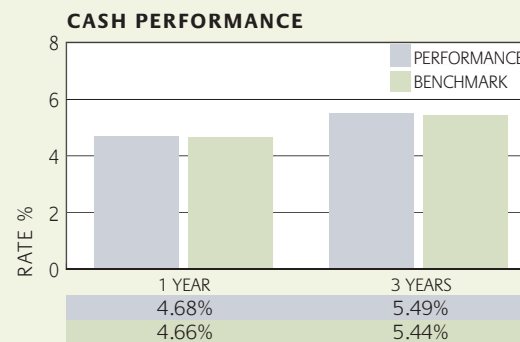
- two externally managed active portfolios;
- an internally managed portfolio of government guaranteed loans and mortgages; and
- a financing arrangement over the Western Australian Education Department building.

Inflation Linked Bonds Performance

Despite the absence of any genuine inflationary threat, inflation linked bonds again out-performed domestic nominal bonds. In a tight, stagnant market, the inflation linked sector benefited from buyback activity in corporate and semi-government issues. This portfolio returned 7.21% relative to the market benchmark of 7.24%.

At 30 June 2002, the allocation to inflation linked bonds was \$276m or 9.2% of total fund assets.

During the year, management of the portfolio was transferred to two specialist external managers, one under a passive mandate and the other an active mandate.

Cash Performance

The cash portfolio returned 4.68% relative to the market benchmark of 4.66%.

Cash investments amounted to \$108.2m or 3.6% of total fund assets at year's end. A specialist external passive cash manager manages the portfolio and there is also a qualifying investment in Super Member Home Loans in order to allow our members to access this product.

Further information on the overall composition of the fund's asset allocation variations, funds under external management, property holding sector returns and benchmarks is shown as Appendix 2.

Looking ahead

The investment focus over the next twelve months will be to:

- Implement a new property asset class strategy;
- Explore new asset class opportunities including private equity;
- Further diversify the asset class portfolio managers; and
- Maintain control of costs to deliver a competitive investments management expense ratio.

Quality superannuation products

Our members have diverse and individual financial needs. The GESB is responding by providing them with a range of progressive and flexible products that they can use to tailor their superannuation to meet their individual requirements.

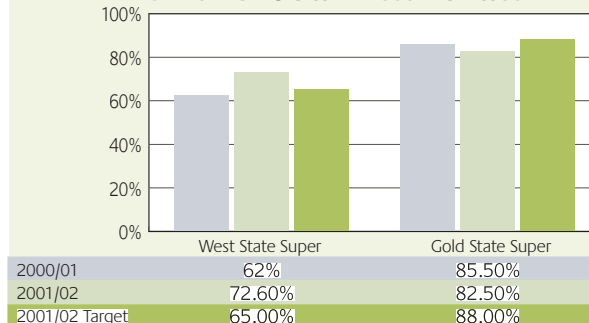
Member Investment Choice

On 1 July 2001, MIC was introduced for more than 180,000 members of the WSS scheme. These members can now choose one of four Investment Plans, or they can further customise their investment strategies by using MY Plan, giving them greater flexibility.

Member satisfaction with MIC increased to 72.6%, up from 62.0%. In addition, 88.9% of employer agencies believed MIC was an excellent move and felt supported throughout the change.

The 'Activate Your Super' campaign used to communicate the changes to members was recognised with a Gold Award for "Excellence in Communications"

SATISFACTION WITH GSS AND WSS



at the Conference of Major Superannuation Funds. The significant improvement in members' perception of the GESB as a good financial and investment manager was attributed to the campaign.

Retirement Access

Retirement Access, the first product for members who have retired from the WA Public Sector was developed.

It removes the compulsory rule for members to withdraw all of their benefit at one time. Instead, they can choose to leave their money invested with the GESB until age 65, but with the flexibility to access all or part of the money as needed. This also satisfies those members who have a strong desire for continuity and more security in respect to their financial future.

By using the investment plans offered in WSS, Retirement Access offers competitive investment performance with a range of strategies to suit individual needs with one low fee and few restrictions.

Approximately 300 members registered interest prior to the launch of the product. An education campaign will be conducted in July and August 2002.

More product development on the way

Feasibility studies were also conducted into a number of other products:

- An allocated pension – option for retired members to convert their lump-sum benefit into a tax-effective income stream.

- Spouse contributions – option for members to make or receive contributions to the WSS scheme on behalf of a spouse.
- Opt-out insurance – option for members with other insurance arrangements to opt-out of the WSS life insurance, so that the premium remains invested in superannuation.
- Financial planning services – option for members to access these services.

Monitoring and market research

Extensive market research was conducted in November 2001 with both members and employer agencies enabling us to monitor our performance to date and remain progressive and personal.

Looking ahead

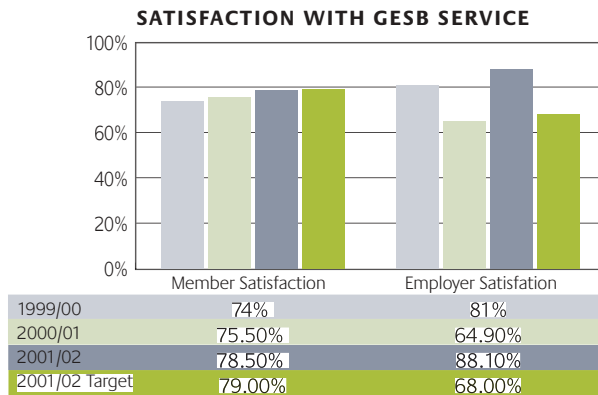
The focus in products over the next twelve months, subject to approvals, will be to:-

- Implement and service the Retirement Access product;
- Develop and implement spouse accounts;
- Develop and implement opt-out insurance;
- Develop and implement an allocated pension product;
- Conduct further investigation into financial planning services.

Output 2

Client focussed service

Striving for excellence in client services



Improved services for members

The Member Services Centre continued to make improvements to service delivery with the call centre technology introduced in the previous year. This included systems and procedures for better ways of supplying accurate and relevant information to members, as well as minimising wait times.



With the focus on personal contact, 1,086 member interviews were conducted and 5,184 members attended the education program that included seminars on retirement, investment, our products and services and information for new members.

‘Taking the GESB to its members’ in the form of a “road show” was an exciting new initiative. A mobile display unit was located at the premises of five major employer agencies to provide information about our services. The display will visit other sites across Perth in the coming year.

In response to member requests for more information about their superannuation performance, member statements were issued six-monthly instead of annually and redesigned to make them easier to understand. A ‘pocket-sized’ booklet, “Understand Your Statement”, was developed that provided an explanation of the terms used in the statements. These have been well received.

The report to members was revamped and renamed “Hands On Investor”. It provides the latest information about WSS and GSS, as well as general superannuation



**hands on
investor**
JULY TO DECEMBER 2001 REPORT TO MEMBERS

**GOVERNMENT EMPLOYEES
Superannuation Board**

**unit
pricing**
a smarter way to value your account

industry information that enables members to have more 'hands on' involvement in the management of their superannuation. Topics included the introduction of unit pricing, a profile of an external fund manager, fund performance, MIC, and regular member interviews.

According to our annual survey, member satisfaction with the new communications rose to 78.5%, up from 75.5%.

Improved services for employers too

A number of new initiatives, as well as improvements to existing strategies have been introduced to build stronger relationships with employer agencies. Introduced in October 2001, 56 employer agencies have now entered into the new Employer Service Promise agreements designed to provide an avenue for contact and discussion at a more senior level.

The Employer Service Team continued to increase personal contact and service to employer human resource and payroll staff by conducting ten Employer Briefings attended by 575 representatives.

With an aim to build on existing relationships and develop 'partnerships' through active participation in superannuation related issues. Eight Employer Forums were also held, bringing together employers with similar issues concerning their employees' superannuation and keeping them with up to date with the latest issues. Each Forum was represented by

approximately 10 employer agencies through their human resources manager or equivalent personnel.

Employer Relationship Officers also completed 369 personal visits to employer agencies. This is an increase of 204 from the previous year.

Two new quarterly newsletters for employer agencies - "HR Super Star" and "Super Smart" - replaced the existing publication "SuperNews". "HR Super Star" is aimed at human resource managers and includes issues, such as salary packaging and planning for retirement, whereas "Super Smart" provides advice to payroll staff and covers operational issues, such as payroll processing and superannuation guarantee information. Five editions were published and distributed to approximately 450 representatives.

According to our annual survey, employer satisfaction with the new communications rose to 88.1%, up from 64.9%.

New technology on the web and for the future

The web site was upgraded with additional features, including MIC performance reporting and the availability of the employer communications. Development of a new web site commenced, including the design of faster up loading facilities.

A pilot system, as part of the development of a Customer Relationship Management (CRM) strategy, is being deployed. Its aim is to provide a high standard of customer service and its success will require a re-examination of how we do business with customers.

In addition to this, the GESB developed a three-year strategic information technology business plan to maximise the value of strategic planning in this aspect of its business. Its five components are - customer-centric strategies (including CRM), e-business strategies, information management and business system strategies, information management strategies, and technology-based strategies.

Restructured and getting it right

The Superannuation Operations Branch was restructured resulting in more effective planning, goal setting and target measurement, delivering improved performance and value for members and employer agencies.

Support continued to over 130 employer agencies using the GESB Data Exchange System payroll interface software to provide accurate data on employees. In addition, a review of payroll systems across the WA Public Sector was launched to ensure that data reported to the GESB is accurate and that member entitlements continue to accrue correctly. This is also seen as way of maintaining a positive, collaborative working relationship with employer agencies to help broaden their understanding of reporting requirements and of the resulting benefits.

Our participation in a benchmarking exercise with other Australian and international government superannuation funds has provided valuable insights into best practices, service standards and alternate administration procedures.

And if there are any disputes and complaints

Confidential investigations are conducted into any complaint received, and a response or progress report is provided within ten working days of lodgement. All complaints are registered and progress of the response is monitored to ensure that service levels are maintained.

Looking ahead

The focus over the next twelve months will be to:

- Increase personal contact with members and employers;
- Market new products and opportunities to members and employers;
- Launch a new web site to include customised features for users and weekly unit price reporting;
- Place WSS historical contributions data on the new web site for employer agencies to view on behalf of their employees and download if so desired;
- Develop and implement Phase 2 of the Customer Relationship Management strategy;
- Explore efficiency improvements to maintain low costs and provide better service;
- Conduct further staff training to deliver service that meets or exceeds client expectations; and
- Develop an e-business strategy extending electronic access for members.

Output 3

Active external support

Working with stakeholders for our members

Active external support facilitates positive changes

Another year of substantial changes was based on the development of productive working relationships with key stakeholders across the organisation and with external partners.

Changes to the *State Superannuation Regulations 2001* were approved in June 2002 and take effect from 1 July 2002. The primary purpose of the regulations was to establish the “Retirement Access” draw-down product. Other regulation changes allow for the tax-effective payment of the surcharge contributions tax; a broader range of eligible termination payments to be rolled into the GES Fund; and provision for a same sex partner to be a beneficiary of a member’s superannuation benefit if the member dies.

In response to proposed Commonwealth legislation, a wide range of consultations were also conducted with the Commonwealth and other public sector schemes on developing better splitting arrangements of superannuation entitlements upon divorce, particularly for members of the defined benefit GSS and the Pension schemes.

The Superannuation Consultative Group, established by the GESB in 1999 was particularly successful in bringing together key government agencies with the objective of examining superannuation and policy issues from a whole-of-government perspective. With representation on the State Executive of the Association of Superannuation Funds of Australia, the GESB actively participated in national superannuation issues.

New business enterprise status and impact on the future

The Machinery of Government Taskforce report released in June 2001 made 55 recommendations to



significantly reform the public sector. One recommendation was for the GESB to become subject to the accountability framework applicable to Government Business Enterprises and clarify its strategic direction through the preparation of a five-year Strategic Development Plan and an annual Statement of Corporate Intent (the enterprise's operations for the year). These set out performance targets against which the Board will be held accountable. These documents were developed in draft form based on the current Strategic Plan that has been the "cornerstone" of business activity since 1999.

To respond to these new accountability obligations for the 2003 fiscal year as well as the rapidly changing superannuation industry, the Board embarked on a comprehensive review of the GESB's long term future strategies and strategic position in the market. A strategic planning model was established and work commenced to deliver a new Strategic Plan by late 2002.

Two National Competition Policy Reviews were completed during the year that will assist the GESB in its planning. The first was a review of the *State Superannuation Act 2000* and accompanying regulations, to identify any potential restrictions on competition. The review found that it was in the public interest for the Treasurer and Minister to approve any alternative superannuation arrangements to the GES Fund.

The second review was of the competitive neutrality of proposed retirement products to identify whether, because of the GESB's public sector ownership, these

products had a net competitive advantage or disadvantage relative to those offered by superannuation funds in the private sector. The review found that, on balance, the proposed retirement products would not operate at a net competitive advantage.

Consequently, the Treasurer approved amendments to the Regulations that allowed Retirement Access to be introduced.

Development of corporate image and positioning

The GESB is more committed than ever to improving its corporate image and positioning itself as a responsible financial and investment manager; offering members a stable, secure, and professional investment environment with low fees and charges.

Corporate image and positioning was first measured in November 2000 through quantitative surveys of members, and the results were used to develop the first Strategic Marketing Plan. This plan covered a range of marketing initiatives that included the Member Communication Strategy, the Employer Relationship Strategy and Retirement Products Implementation Project. There has been significant progress in these areas to date and member perceptions, measured a year later in November 2001, indicated that the GESB has successfully re-positioned itself amongst members towards its desired profile.

Future business directions workshops were held with all staff to develop the new corporate image. As a result,

a number of new initiatives were identified for future implementation.

Delivering what really counts

Given the very challenging investment environment and significant business projects and activities being undertaken, it was important to ensure that business performance stayed on target. Performance monitoring, risk assessment and evaluation were regularly reviewed at Board level, resulting in ongoing strategic performance management.

Judicial and parliamentary superannuation

The Parliamentary and the Judges Pension schemes continued to be administered by the GESB. However, the Parliamentary Pension scheme was closed to new members late in 2000, following the passage of the *Parliamentary Superannuation Legislation Amendment Act 2001*.

Looking ahead

The focus over the next twelve months will be to:

- Develop a new Strategic Plan and prepare the requisite Strategic Development Plan and Statement of Corporate Intent; and
- Develop further regulations to deliver new products and services to members.

Output 4

Appropriate and progressive organisational culture

Responding to change

A look into the future

Scenario planning conducted with Board members, directors, managers and staff and included input from finance and superannuation industry experts. It resulted in the development of four possible future scenarios and strategic themes to link into strategic planning.

Improving the way we use technology and manage information

A new accounting system was acquired to replace the present ageing and inefficient accounting software. The new system will improve the quality and quantity of management information and increase efficiency and productivity.

A Business Continuity Plan is being developed that will ensure the restoration of business operations in the event of a disruption. It included a project to upgrade the security of member data and the continuity of service to members that will lead to the relocation of the primary computing infrastructure to a Class 1 Data Centre, conforming to Australian Standards for high availability and secure data centres. The existing data centre will then provide backup and disaster recovery facilities. A review of the entire data backup strategy and work on a fault tolerant computing architecture will result in further efficiencies and ensure application systems have no single point of failure.

The Information Technology outsourcing contract arrangement has effectively supported the maintenance and development of software applications while enabling the GESB to concentrate on core business technology strategies. The main application, the superannuation fund administration system, CAPITAL, has undergone extensive change and refinement to deliver detailed and timely information to members and employer agencies.



The GESB Employer Relationship Managers, working with Government employers

Our workforce

As the result of a major restructure across the GESB, completed at the end of 2000, a review of intended results was conducted in late 2001. The review indicated that although a greater strategic alignment was achieved, there was another opportunity for further re-alignment in the Superannuation Operations Branch. This restructure was carefully managed and mostly completed by year's end. The review also revealed that the workforce comprised more experienced, professional and motivated staff. The workforce now has a better blend of knowledge and skills from both the public and commercial sectors. This augurs well for the future.

Number of employees by category as at 30 June:

Employees	2001	2002
Permanent	138	150
Contract	42	35
Total	180	185

Other positive outcomes included more women at senior levels, more permanent staff - hence more stability, more people in client services, marketing, relationship management and product development; and fewer in administrative support.

Staff members continue to be covered by an Enterprise Agreement or a Collective Workplace Agreement that will be replaced by the General Agreement on 1 January 2003.

The Leadership Development Program was a major initiative introduced to develop staff to take on the necessary leadership roles that the business needs to perform and deliver. This program was not only part of our strategy to become an employer of choice, it was also part of the development of the business culture and operational mind-set required to deliver the best services to members, now and in the future.

A healthy and safe workplace

There were four occurrences recorded during the year resulting in time lost of one day or more. These resulted in some minor medical, physical and vocational payments as well as workers compensation payouts made during the year.

Compensation payments	\$12,929
Occupational health & safety costs	\$35,155
Number of occurrences	4
Workers compensation premium	\$26,339

All staff members were offered access to influenza vaccines, as part of a series of events to improve wellness and a comprehensive ergonomic training and assessment program was conducted. Since November 2001, the rate of unscheduled absences was lower in each month than for the same time in the previous year. Overall, a 23% reduction in these absences was achieved.

Looking ahead

The focus over the next twelve months will be to:

- Conduct further Leadership Development Program sessions;
- Monitor and evaluate the scenarios that have been developed for any potential change in strategic direction;
- Implement the Strategic Information Technology Business Program;
- Relocate the primary computing infrastructure to a Class 1 Data Centre;
- Implement ergonomic assessment recommendations; and
- Update the EEO and Diversity Plan to ensure that all necessary planning requirements, including youth outcomes and cultural diversity and language planning are focussed on the development an organisational culture that meets our objective to become an employer of choice.

Simplified financial statements and analysis

Statements of change in net assets

The Statement of Change in Net Assets (shown on the facing page) shows income (inflows) and expenses (outflows) that have changed the size of the Fund over the year. Overall, the Fund grew to \$2,386.9m, up by 3.4%.

Revenue

Revenue from ordinary business activities was generated primarily from returns on investing funds under management and from superannuation contributions.

Investment income is grouped into realised income (actual receipts or profits/losses from investment returns) and unrealised income (increases or decreases in the value of investment assets). Total realised investment income increased to \$93.6m, up by 219% on the previous year. \$34.3m or 53% of this increase came from investments income, whilst the balance is the result of a reduction in the value of realised losses on the sale of investment assets.

Unrealised losses on investment assets arising from changes in net market values amounted to \$211.2m compared to a profit of \$27.6m in 2001. This reflected prevailing world financial market conditions.

Superannuation contributions from members and employers increased slightly, however, roll-overs from other funds increased significantly to \$32.5m, up by

168%. This was due in part to the introduction of the MIC product.

Despite the increase in superannuation income, total revenue from ordinary business activities fell by \$148.1, or by 18.5%.

Expenses

The major expense was the benefit payments made to members. These payments amounted to \$509.7m, a reduction of 17.8% on the previous year when significant benefit payments were made as a result of the privatisation of Western Power and AlintaGas.

Administration expenses include all the day-to-day costs of operating the Fund and servicing the needs of members and the government. These expenses increased to \$19.5m, up by 7.7% as the GESB continued to improve the level of service and the range of superannuation products available to members.

Loan interest is charged by the Western Australian Treasury Corporation on the amounts borrowed to finance MIC for WSS members.

Changes in net market value of other assets represents the amount brought to account for the decrease in value associated with fixed assets, including software.

Statement of net assets

The Statement of Net Assets sets out the assets and liabilities of the Fund. Significant changes from the previous year include:

- a) Investment assets (funds under management) increased by \$96.8m to \$3,009.5m;
- b) Sundry Debtors reduced by \$19.2m to \$17.5m;
- c) Sundry Creditors increased by \$19.1m to \$31.5m; and
- d) Interest bearing loan liabilities reduced by \$15.6m to \$619m.

Statement of changes
in net assets for the
year ended 30 June
2002*

	2002 \$m	2001 \$m
NET ASSETS AVAILABLE TO PAY BENEFITS AS AT 1 JULY 2001	2,309.4	2,153.0
REVENUE FROM ORDINARY ACTIVITIES		
Investment Income		
Realised Income	114.9	80.6
Realised Changes in Net Market Value of Investments Assets	(21.3)	(51.3)
Unrealised Changes in Net Market Values of Investment Assets	(211.2)	27.7
	(117.6)	57.0
Less: Investment Expenses	(7.2)	(6.5)
	(124.8)	50.5
Superannuation Income		
Contributions		
Members	113.94	110.8
Employer	631.5	627.2
Inward Transfers from Other Funds	32.4	12.1
Other Income	0.3	0.3
	778.1	750.5
Total Revenue From Ordinary Activities	653.3	800.9
EXPENSES FROM ORDINARY ACTIVITIES		
Superannuation Benefit Payments	509.7	620.1
Administration Expenses	19.5	18.1
Loan Interest	41.8	2.5
Changes in Net Market Values of Other Assets	4.3	3.8
Total Expenses from Ordinary Activities	575.3	644.6
NET ASSETS AVAILABLE TO PAY BENEFITS AS AT 30 JUNE 2002	2,387.4	2,309.4

* Extracted from the full financial statements. For further information including additional notes, please refer to the CDRom

Statement of net assets
as at 30 June 2002*

	2002 \$m	2001 \$m
Assets		
Investment	3,009.5	2,912.6
Sundry Debtors	19.4	36.6
Property Plant and Equipment	18.7	15.5
Prepayments	2.5	2.6
Total Assets	3,050.1	2,967.4
Liabilities		
Contributions Paid in Advance	1.4	
Unpaid and Accrued Liabilities	5.1	5.3
Provision for Employees Entitlements	1.9	2.1
Sundry Creditors	31.5	12.4
Provision for Superannuation Liabilities	3.6	3.6
Interest Bearing Liabilities	619.1	634.6
Total Liabilities	662.7	658.1
NET ASSETS AVAILABLE TO PAY BENEFITS	2,387.4	2,309.4

* Extracted from the full financial statements. For further information including additional notes, please refer to the CDRom supplied with printed Annual Report

Key member related statistics

Total fund membership at 30 June 2002

Scheme	1998	1999	2000	2001	2002
West State Super	162,633	170,370	180,585	206,037 ¹	211,491
Gold State Super	44,196	41,349	39,627	29,031 ²	27,703
Gold State Super Deferred	-	-	-	16,728 ³	14,150
Non-Contributory (3%) Scheme	18,204	17,605	16,975	-	-
Pension Scheme (current contributors)	1,002	894	800	730	654
Pension Scheme (pension recipients)	12,491	12,228	11,892	11,665	11,350
Provident Account	6	6	6	6	5
Total	238,532	242,452	249,885	264,197	267,325

1. GSS members who previously rolled money in from other schemes had that amount credited to their GSS membership. To facilitate the introduction of the MIC initiative (to which rolled in amounts are subject), these amounts were transferred to a WSS account for that member. Where the GSS member did not at that time have a WSS account, a new account was established. These are included in the count for WSS memberships.
2. In 2001, the GESB changed the structure of GSS to enable separate reporting of deferred benefits. The count in GSS prior to 2001 includes members with either a current or deferred membership, whereas in 2001 only current members are included.
3. GSS Deferred includes all members with only deferred benefits arising from GSS including those previously reported as Non – Contributory (3%) Scheme members.

Inactive members accounts

	1998	1999	2000	2001	2002
West State Super	71,185	81,723	88,280	99,670	99,695
Gold State Super Deferred	-	-	-	16,728 ¹	14,150
Total	71,185	81,723	88,280	116,398	113,845

1. GSS Deferred includes all members with only deferred benefits arising from GSS including those previously reported as Non – Contributory (3%) Scheme members.

Membership accounts overview by gender

	Female	Male	Total
West State Super	139,733	71,758	211,491
Gold State Super	11,967	15,734	27,703
Gold State Super Deferred	7,720	8,402	14,150
Pension Scheme (current contributors)	79	575	654
Pension Scheme (pension recipients)	5,284	6,066	11,350
Provident Account	3	2	5
Total	164,786	102,537	267,325

Timeliness of processing benefit payments

	1998	1999	2000	2001	2002
< 2 days	14,765	9,384	9,308	9,876	10,732
2-6 days	2,134	1,087	2,705	3,226	1,009
7-14 days	550	266	536	873	231
> 14 days	679	322	307	947	137
Total	18,128	11,059	12,856	14,922	12,109

Composition of the board

Fiona Harris B Com FCA FAICD MAIST

Chairman

Ms Harris was appointed Chairman of the GESB on 7 March 2000 for a three-year term. Prior to this she was serving a second three-year term as an Employer director on the Board.

As a former partner with a major chartered accounting firm in Sydney, she specialised in banking, finance and superannuation. She is currently a non-executive

Director of AlintaGas Limited, Evans and Tate Limited, HBF Health Funds Inc, Plan B Financial Services Ltd and Plan B Trustees Ltd and is a State Councillor and Treasurer of the Australian Institute of Company Directors.

Ms Harris holds a Bachelor of Commerce degree from the University of Western Australia, is a Fellow of the Institute of Chartered Accountants of Australia and a Fellow of the Australian Institute of Company Directors.

John Walker

Deputy Chairman

Mr Walker is employed as an Industrial Officer with the Australian Liquor Hospitality and Miscellaneous Workers Union (ALHMWU).

His involvement with superannuation began in the late 1980's when he was involved in negotiating the 3% occupational superannuation into awards and agreements covering members of the ALHMWU. He held the position of Trustee Director of the St. John Ambulance Superannuation Fund from 1992 to 1999 and was appointed Trustee for the state based hospitality industry fund, Hostwest in 2000.

Presently serving his third three-year term as a Member director until 16 January 2005, his position as the Deputy Chairman of the Board runs concurrent with his term of office.

Harvey Collins BBus FCPA FSIA FAICD

Mr Collins is Chairman of iiNet Limited; Deputy Chairman of HBF Health Funds Inc; and a non-executive Director of Chieftain Securities Limited and several private companies. He was an Executive Director of Chieftain Securities from 1997 until June 2002 and Chief Financial Officer of Challenge Bank Limited from 1992 to 1996.

Mr Collins holds a Bachelor of Business (distinction) and is a Fellow of the Australian Institute of Company



The GESB board from Left to right: Matt Farrell, Diane Robertson, Fiona Harris – Chairman, John Walker, Harvey Collins, Bill Hassell, Peter Farrell – Executive Director.

Directors, Australian Society of Certified Practising Accountants and Securities Institute of Australia.

He is currently serving his first three-year term as an Employer director until 13 October 2004.

Matt Farrell BSc, Dip Ed

Mr Farrell is an Industrial Advocate with the State School Teachers' Union of Western Australia. He is a former Vice President of the Union and has been actively involved in the union movement for many years.

He holds a Bachelor of Science degree, a Diploma of Education and a Post-Graduate Diploma in Applied Physics. He is a member of the Australian Institute of Physics and a Member of the Industrial Relations Society of Western Australia.

Mr Farrell is currently the Chairman of the Audit Committee and is presently serving his third three-year term as a Member director until 7 February 2005.

Peter Farrell BA (Econs)

Mr Farrell was appointed Executive Director of the GESB and Employer director on the Board in January 1990. Prior to his appointment to the GES Board, he was Western Australia's Assistant Under Treasurer. He has also served as a member of various other Government Boards and Commissions.

He holds an Arts degree from the University of Western Australia (majoring in Economics) and Post- Graduate qualifications in Economics and Administration.

Mr Farrell was reappointed as Executive Director for five years from 30 December 1997 and as an Employer director on the Board to 9 February 2003.

Bill Hassell AM

Mr Hassell is by profession a lawyer. He qualified with Honours from the University of Western Australia, and completed a Master of Arts degree at the University of Reading, England as a Rotary Foundation Graduate Fellow.

He is currently partner in a firm providing business services, a company director, a member of a Federal Government Committee allocating funds for research and development, an active senior office bearer in a major charity, active in other charitable and community work, an Honorary Consul (for the Federal Republic of Germany), and involved in family investment.

His background includes experience as a lawyer in private practice, practice as a consultant and adviser (both in own firm and with a major accounting firm), public company Chairman, Member of the WA Parliament, Minister of the Crown, and Agent General and Representative of Western Australia in Britain and Europe.

He was made a Member of the Order of Australia in the year 2000.

He was appointed to the Board as an Employer director for a three-year term from 2 May 2000.

Diane Robertson MBA

Ms Robertson has been President of the Community and Public Sector Union and Civil Service Association (WA) since 1993 and is employed in the Western Australian Public Service. She is the Chairperson of two other Western Australian companies in the insurance and finance industries, and is a member of the Board of Management of Unions WA Welfare Rights and Advocacy Service.

She holds a Masters degree in Business Administration, qualifications in Management and Industrial Relations, as well as a certificate of Trustee Practice. She is a member of the Advisory Committee to the Edith Cowan University's School of Management.

She was initially appointed to the Board as a Member director in 1994 and her current term expires on 3 July 2003.

Corporate governance statement

Introduction

This statement outlines the main Corporate Governance practices that are in place at the GESB.

Body Corporate

The GESB is a Western Australian Statutory Authority and a Crown agency, constituted under the State Superannuation Act 2000 as a body corporate with perpetual succession and a Common Seal. Proceedings may be taken by or against the Board in its corporate name.

The Board

The GESB is governed by a Board of seven directors, which has legislative authority to perform the following functions:

- administer the State Superannuation Act 2000;
- manage the Fund;
- administer the schemes;
- provide information, advice and assistance to the Minister and the Treasurer on matters relating to superannuation;
- provide other products and services in accordance with the regulations; and
- perform any functions conferred under any other written law.

The Board sets and reviews the strategic direction and establishes the policies of the GESB, and is accountable

to the Government of Western Australia, on whose behalf it governs the organisation.

Powers of the Board

The Board may do all things necessary or convenient in connection with the performance of its functions, including:

- acquire, hold, deal with and dispose of property of any sort;
- enter into a contract or arrangement with any person under which that person is to provide professional, technical or other assistance to the Board; or do for the Board anything that the Board could do, and pay out of the Fund fees charged by the person in accordance with the contract or arrangement;
- enter into a contract or arrangement with any person under which the Board is to provide products and services to that person and charge fees for providing those products and services;
- promote and market the Board, its activities, products and services;
- conduct research;
- produce and publish information; and
- do anything else that a body corporate may do.

The Organisation

Accountability to the Board for the work performed by staff to enable the Board to perform its functions lies with the Chief Executive Officer (the Executive Director), who in turn employs staff to assist manage and administer the GESB.

The Board has communicated the results it expects and the ethical and prudential limits within which the organisation must operate to the Executive Director through Board governance policies. These policies encompass all areas of the Board's business, including the financial position, business and affairs of the organisation.

Compliance with Board policies was formally monitored for the first time during the year and is ongoing.

The respective roles of senior staff and management groups throughout the organisation are specified in the organisation's Management Framework document. All management accountability aggregates to the Executive Director, who in turn is accountable to the Board.

Board Composition, Appointments and Meetings

Membership of the Board is determined in accordance with Section 8 of the State Superannuation Act 2000 and the following principles:

- the Board comprises seven directors;
- the Chairman is an independent Board director appointed by the Governor on the nomination of the Minister;
- three Board directors are appointed by the Governor as Employer directors;
- three Board directors are elected as Member directors via elections conducted by UnionsWA;
- Employer directors are appointed for a term not exceeding five years, with appointments generally made for three years. Member directors are elected for a term not exceeding three years. Initial appointments are staggered, and all Board directors are eligible for re-appointment or re-election;
- there is no maximum age for Board directors;
- the Board meets on a monthly basis;
- Board decisions require a two-thirds majority in order to be carried;
- dissenting Board directors have the right for their dissenting vote and the underlying reasons to be recorded in the Board Minutes;

- the conditions under which the Minister may remove a Board director from office are set out in section 6(2), Schedule 1 of the Act.

Board Directors

Name	Position	First Appointed	Term Expires	No. of Terms	No. Meetings 2001/02	Meetings Attended
Ms Fiona Harris	Chairman Employer director	7 March 2000 8 August 1995	6 March 2003	1 2	12	11
Mr John Walker	Deputy Chairman Member director	21 April 1998 17 January 1996	16 January 2005	3 3	12	11
Mr Harvey Collins	Employer director	30 October 2001	29 October 2004	1	9	7
Mr Matt Farrell	Member director	8 February 1996	7 February 2005	3	12	12
Mr Peter Farrell	Employer director	1 January 1990	9 February 2003	4	12	11
Mr Bill Hassell	Employer director	2 May 2000	1 May 2003	1	12	12
Mr William Heron	Employer director	3 October 1988	14 October 2001	4	3	2
Ms Diane Robertson	Member director	4 July 1994	3 July 2003	3	12	11

Mr William Heron retired on 14 October 2001, and the resulting Employer director vacancy was filled by the appointment of Mr Harvey Collins as of 30 October 2001.

Board Committees

The Board's Audit and Corporate Governance Committees assist in the execution of its responsibilities by preparing policy alternatives for Board deliberation. The composition of both Board committees reflects the representational composition of the Board as a whole. Their conduct is governed by their respective charters, and more generally by the Board's governance policy, Role of Board Committees.

Audit Committee

The Audit Committee met four times during the year. Mr Heron was only able to attend one meeting due to his retirement on 14 October 2001. Mr Collins was subsequently appointed to the Committee and attended the remainder of its meetings for the year. Committee Chairmanship transferred from Mr Heron to Mr Farrell, who presided as Chairman of the Audit Committee for the first time on 7 March 2002.

The external audit of the GESB is conducted by the Office of the Auditor General. Internal audit focuses on working with management to continually improve the GESB's business undertakings, and to provide reasonable assurance that activities are carried out effectively and efficiently in accordance with sound business practices and all legal requirements. Internal audit has adopted a proactive and consultative role to advise on issues relating to enterprise risks, business processes and information systems. Internal audit is managed internally with the bulk of audits being

conducted under contract by external service providers.

The Audit Committee has responsibility for:

- ensuring a framework is in place to identify and manage business risks; detect and manage exposure to fraud and corrupt practices; safeguard the GESB assets and assure business continuity;
- ensuring that there is an appropriate control culture;
- ensuring that financial statements and policies are appropriate and comply with the relevant accounting standards;
- ensuring compliance with statutory responsibilities and sound business practices;
- strategic management of the Internal Audit function;
- reviewing the scope of audits to be undertaken and the assessment of findings and recommendations reported; and
- liaising with external auditors.

Name	Position	No. Meetings 2001/02	Meetings Attended
Mr William Heron	Chairman (retired 14/10/01)	1	1
Mr Matt Farrell	Chairman	3	3
	Member	1	1
Ms Fiona Harris	Member	4	4
Mr Harvey Collins	Member	3	3

Corporate Governance Committee

Name	Position	No. Meetings 2001/02	Meetings Attended
Mr Bill Hassell	Chairman from January 2002 Member	5	5
Ms Fiona Harris	Member from January 2002 Chairman to December 2001	5	5
Ms Diane Robertson	Member	5	5

The Board's Corporate Governance Committee reviews corporate governance issues and maintains a comprehensive policy framework for the appropriate corporate governance of the GESB.

The Committee met five times during the year, with committee chairmanship transferring from Ms Harris to Mr Hassell in January 2002.

Corporate Governance Policy Framework

The Board operates under a corporate governance framework based on the principles of a recognised policy governance model. The Board's policies clarify the respective roles and responsibilities of the Board and the organisation, and the relationship between them.

Each Board governance policy is subject to specific annual review and compliance with the Board's policies is monitored on an ongoing basis.

Professional Advice

Board directors are entitled, with the prior approval of the Executive Director, to obtain such resources and information from the GESB, including direct access to management and professional advisers, as they may require to carry out their duties as Board directors.

Board directors are also entitled, with the prior approval of the Chairman, to seek independent professional advice at the expense of the GESB to assist them to carry out their duties as Board directors. The policy of the Board is that any such advice be made available to all Board directors.

Remuneration

Directors are entitled to the remuneration and allowances determined by the Minister on the recommendation of the Minister for Public Sector Management. In accordance with Government policy, Board directors who are public sector employees are not entitled to additional remuneration for sitting on the Board.

The Executive Director's remuneration is set by the Salaries and Allowances Tribunal.

Remuneration for the GESB staff is determined through Enterprise and Workplace Agreements registered by the Industrial Relations Commission, or through contract arrangements under the State Superannuation Act 2000, which are approved by the Board.

Internal Control and Risk Management

The Board has overall responsibility for the GESB's internal control environment. To provide assurance the control environment is of the standard required for the GESB business operations, controls have been put in place in the form of:

- an Audit Committee comprising 3 non-executive Board directors;
- an Internal Audit and Assurance function that facilitates and monitors risk management and ensures that the internal control structure is maintained at an acceptable standard;
- formal planning processes where proposed strategic and operational business activities are considered by the Board prior to commencement;
- formal processes for formulation and reporting of administration and capital budgets, together with consideration by the Board prior to the allocation of funding;
- an integrated framework of controls based on formal procedures and appropriate delegations of financial and other authorities to the Executive Director;
- regular reporting to the Board on both financial and non-financial areas of business operations;
- a Risk Management policy and framework;
- a Compliance framework;

- Fraud Management policy and framework;
- a Program Management Office to provide the Board with assurance that major projects are business focussed, well-managed, and will provide business benefits. This includes regular monitoring of projects and reporting to the Board.

Ethical Standards

The Board acknowledges the need for and the continued maintenance of high standards of Corporate Governance practices and ethical conduct by Board directors, management and staff.

A Code of Conduct has been established and adopted for management and staff that is consistent with the Public Sector Code of Ethics.

Board directors are required to comply with its Code of Conduct for Board directors, which supplements the Board's Conflict of Interest Register.

Director Related Responsibilities

The GESB is a Corporation for the purposes of Part 2 of the Statutory Corporations (Liability of Directors) Act 1996, and accordingly Board directors are subject to the same fiduciary responsibilities and duties of loyalty and good faith owed by Directors of companies incorporated under the Corporations Law.

In accordance with the State Superannuation Act 2000 (Schedule 2, clause 11), Board directors must not take part in deliberations or vote on a matter in which they

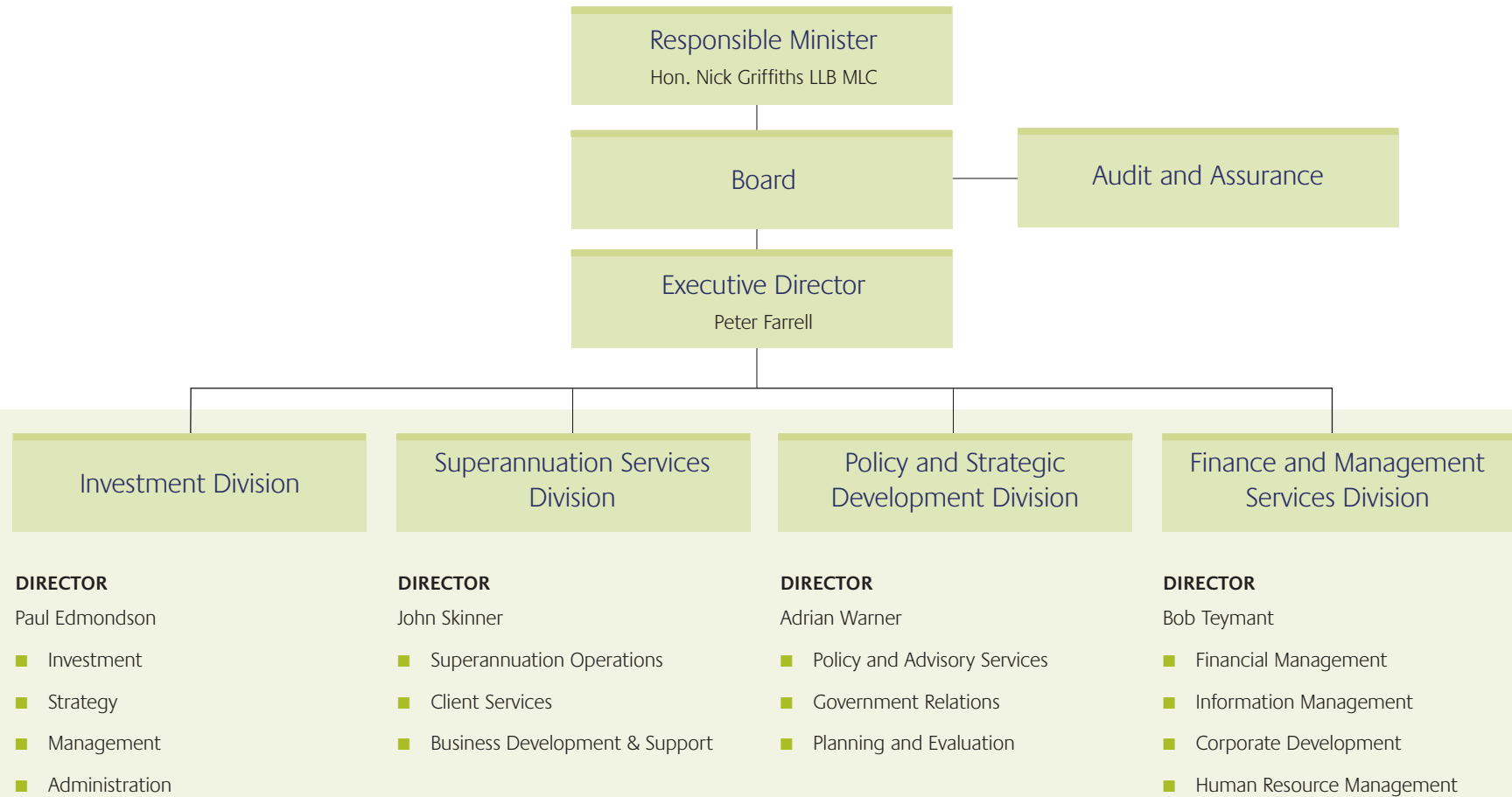
have a material interest, unless the Board has passed a special resolution (under Schedule 2, clause 12). Material interests are defined in Schedule 2, clause 9 of the Act.

The Board has adopted a policy regarding disclosure of material interests that requires Board members to make an annual declaration each year disclosing any material interests, specifically:

- securities (sale or purchase) to which they are entitled (within the Corporations Law meaning of the concept);
- transactions in respect of all securities quoted on the Australian Stock Exchange (ASX) if the person is regarded as being entitled to a material holding in the relevant corporation; and
- directorships.

A director's interest includes those held by associates, including spouses, family companies and trusts. A material holding is considered to be 5 per cent or more of the issued securities of a particular class of a listed corporation, or such lower level as deemed appropriate by the Board in particular circumstances.

All Board directors have disclosed any material interests.



Leading the change are our GESB Directors from left to right: Bob Teymant, John Skinner, Adrian Warner, Peter Farrell – Executive Director, Paul Edmonson.

Compliance

Compliance with Legislation

The Government Employees Superannuation Board is required to comply with a range of Commonwealth and State Legislation. Where required by Government, more detailed information has been provided about specific compliance.

The State Superannuation Act 2000 and the State Superannuation Regulations govern the administration of the Government Employees Superannuation Board and the three superannuation schemes administered by the Board that collectively comprise the Government Employees Superannuation Fund.

Compliance Statement

In the administration of the Government Employees Superannuation Fund, the Board has complied in all material aspects with the requirements of The State Superannuation Act 2000 and the State Superannuation Regulations 2001 and other relevant written law.

In the year ended 30 June 2002 the Board has:

- exercised controls that provide reasonable assurance that the receipt and expenditure of monies, the acquisition and disposal of public property and incurring of liabilities have been in accordance with legislative provisions; and
- complied with the Public Sector Standards in Human Resource Management and the Western Australian Public Sector Code of Ethics. It has put in place procedures and conducted appropriate internal assessments designed to ensure such compliance.

At the date of signing we are not aware of any circumstances that would render the particulars of this statement to be misleading or inaccurate.



F E HARRIS
CHAIRMAN
30 August 2002



P J FARRELL
MEMBER
30 August 2002

Specific compliance requirements

Heads of Government Agreement

The Western Australian State Government is a signatory to a Heads of Government Agreement with the Commonwealth in respect of the schemes administered by the GESB, whereby the schemes are exempted from the Superannuation Industry (Supervision) Act 1993 and the Superannuation (Resolution of Complaints) Act 1993.

The Commonwealth has recognised that controls over these schemes are already extensive and subject the GES Fund to a significant level of prudential control and public and government scrutiny. In return, the State Government has made the commitment that the accrued benefits of members will be fully protected and that the exempt schemes will conform to the principles of the Commonwealth's retirement incomes policy. Under the agreement the State Government has opted to allow members of exempt schemes access to the Superannuation Complaints Tribunal.

Freedom of Information

The GESB's policy is to provide members with access to their membership files without the need to make a formal Freedom of Information application.

An Information Statement that provides background on the operations of the Board, describes the documents held and the way in which the public can access information is readily available on the GESB Web site.

Public Sector Management Act

Section 31(1) of the Public Sector Management Act 1994 requires agencies to report on the extent to which they have complied with public sector standards in human resource management and codes of ethics and conduct.

An annual self-assessment was conducted for compliance with the Public Sector Management Act 1994, as was a human resources audit to "follow up recommendations raised in the Office of Public Sector Standards Commission (OPSSC) report", in 2000/2001. The audit concluded that all recommendations contained within this report had been satisfactorily addressed, and therefore, the Public Sector Standards Commissioner did not conduct any breach reviews or investigations during the year. Accordingly, the Board considers itself compliant with the Public Sector Standards in Human Resource Management and the WA Public Sector Code of Ethics.

Activities from the EEO and Diversity Plan have made a substantial impact on the workplace culture and profile. These included greater diversity with more women at senior levels, more permanent staff, many part time and job share opportunities to support those with family responsibilities, use of an interpreter service and brochure and other information available in Braille format. An additional staff member Client Service Officer with vision impairment, was given key reception responsibilities.

Electoral Act

In accordance with Section 175ZE of the Electoral Act 1907 and Treasurer's Instruction 903, the GESB is required to disclose details of expenditure incurred during the year in relation to the following items:

Advertising/Marketing Agencies	
JDA	\$150,023 *
Core Marketing Group	\$112,689
Market Research Organisations	
Research Solutions	\$106,820
Polling Organisations	Nil
Direct Mail Organisations	
Zipform	(es) \$102,000**
Media Advertisign Organisations	
Marketforce Productions	\$43,050
Media Decisions	\$ 3,955
Total	\$518,538
* Excludes printing costs \$153,000	
** Excludes postage costs of around 50% or \$102,000	

Waste Paper Recycling

The GESB is both the owner of, and tenant in, the Central Park building that became the first building in the Perth central business district to implement a comprehensive recycling program. Since the management of the VISY Recycling Program introduced a system to measure throughput, the building has recycled 224.07 tonnes of commingle and cardboard for the six months to 30 June 2002.

Publications

Publications

The regular publications listed below are continually reviewed and updated to ensure the very latest information is available for clients. They are provided to assist members in understanding their options and entitlements, to assist employer agencies in meeting their superannuation obligations and to encourage consolidation of superannuation accounts into the GESB.

Regular Publications

Salary Packaging for West State Super Members

Salary Packaging for Gold State Super Members

Personal Top-Up Contributions

Client Services Charter

West State Super Member Booklet

West State Super Investment Guide

Investment Choice – Fact Sheet

Employer Easy Reference Guide

Web site

www.gesb.wa.gov.au an alternative to the printed publications, accessible 24 hours a day, 7 days per week

Web site publications:

Annual Reports for past 3 years

Freedom of Information Statement

Previous issues of Employer newsletters and member reports

New Publications

For Employer agencies:

HR Super Star – Quarterly newsletter for human resources managers

Super Smart – Quarterly newsletter for payroll personnel

For Members:

Hands On Investor – mid year report

Understand Your Statement – an explanation of the terms used on member statements and the rules that apply to the schemes.

Quarterly Investment Performance Report – available via our web site

Monthly Investment Performance figures – available via our web site

Financial report 2001– 02

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Certification of the financial statements

The accompanying Financial Statements of the Government Employees Superannuation Board have been prepared in compliance with the provisions of the Financial Administration and Audit Act 1985 from proper accounts and records to present fairly the financial transactions for the year ended 30 June 2002 and the financial position as at 30 June 2002.

At the date of signing we are not aware of any circumstances which would render the particulars included in the financial statements misleading or inaccurate.



John E O'Sullivan, M.A., A.C.A.
Principal Accounting Officer
31 October 2002



F E Harris
Chairman
31 October 2002



P J Farrell
Director
31 October 2002

Statement of changes in net assets

FOR THE YEAR ENDED
30 JUNE 2002

	Notes	2002 \$'000	2001 \$'000
Net assets available to pay benefits AT THE BEGINNING OF THE FINANCIAL YEAR		2,309,388	2,153,013
REVENUE FROM ORDINARY ACTIVITIES			
Investment Income			
Realised Income	2	114,889	80,650
Realised Changes in Net Market Value of Investment Assets	2	(21,326)	(51,345)
Unrealised Changes in Net Market Value of Investment Assets	2	(211,215)	27,662
		(117,652)	56,967
Less: Investment Expenses	2	(7,179)	(6,463)
		(124,831)	50,504
Superannuation Income			
Contributions			
Members		113,872	110,827
Employer	4a	631,520	627,209
Inward Transfer from Other Funds		32,456	12,143
Other Income	4c	269	280
		778,117	750,459
Total Revenue From Ordinary Activities		653,286	800,963
EXPENSES FROM ORDINARY ACTIVITIES			
Superannuation Benefit Payments	4b	509,704	620,052
Administration Expenses	9	19,473	18,121
Changes in Net Market Value of Other Assets	9	4,297	3,848
Loan Interest	15	41,841	2,567
Total Expenses from Ordinary Activities		575,315	644,588
NET ASSETS AVAILABLE TO PAY BENEFITS AT THE END OF THE FINANCIAL YEAR		2,387,359	2,309,388

TO BE READ IN CONJUNCTION WITH THE ACCOMPANYING NOTES

Statement of net assets

AS AT 30 JUNE 2002

	Notes	2002 \$'000	2001 \$'000
Assets			
Investment Assets	2	3,009,469	2,912,643
Property Plant and Equipment	11	18,718	15,553
Sundry Debtors	12	19,361	36,655
Prepayments		2,476	2,599
Total Assets		3,050,024	2,967,450
Liabilities			
Contributions Paid in Advance		1,431	249
Unpaid and Accrued Liabilities		5,124	5,091
Sundry Creditors	12	31,472	12,443
Provision for Employee Entitlements	13	1,974	2,055
Provision for Superannuation Liabilities	14	3,601	3,595
Interest Bearing Liabilities	15	619,063	634,629
Total Liabilities		662,665	658,062
NET ASSETS AVAILABLE TO PAY BENEFITS		2,387,359	2,309,388

TO BE READ IN CONJUNCTION WITH THE ACCOMPANYING NOTES

NOTES to and forming part of the Financial Statements

for the Year Ended 30 June 2002

NOTE 1 Statement of significant accounting policies

(a) Basis of Preparation of Financial Statements

These Financial Statements constitute a general purpose financial report which has been prepared in accordance with Section 67 of the Financial Administration and Audit Act 1985 (as amended), Australian Accounting Standards, Urgent Issues Group (UIG) Consensus Views and Statements of Accounting Concepts as applied by the Treasurer's Instructions. Several of these statements are modified by the Treasurer's Instructions to vary application, disclosure, format and wording. The Financial Administration and Audit Act and the Treasurer's Instructions are legislative provisions governing preparation of financial statements and take precedence over Australian Accounting Standards and UIG Consensus Views. The modifications are intended to fulfil the requirements of general application to the public sector, together with the need for greater disclosure and to satisfy accountability requirements.

If any such modification has a financial effect upon the reported results, details of the modification and, where practicable, the financial effect, are disclosed in individual notes to these financial statements. There are no such modifications contained within these Statements.

The accounts have been prepared in accordance with the format prescribed under paragraph 22(a) of Australian Accounting Standard-AAS25, "Financial Reporting for Superannuation Plans". This standard sets out specific reporting requirements for particular reporting entities. This Standard applies to general purpose financial reports of each superannuation plan in the private or public sector that is a reporting entity.

As GESB has both defined contribution and defined benefit schemes, the standard states that the reporting formats applicable to defined benefit schemes should be used. The format adopted by GESB includes a "Statement of Changes in Net Assets", a "Statement of Net Assets", and "Notes" thereto. No recognition is

made on the face of the Financial Statements of amounts accrued to the benefit of members' accounts for any of the schemes.

The accounting policies adopted are consistent with those of the previous year.

(b) Receipts of monies in contravention of the State Superannuation Act 2000

With effect from 1 July 2001, new arrangements were put in place whereby the Government Employees Superannuation Board (GESB) collected on behalf of the Department of Treasury and Finance (DTF), Gold State Superannuation (GSS) equivalent contributions from unfunded agencies. Agencies received funds by way of appropriation equivalent to the GSS contribution amounts which were paid to the GESB and remitted to the DTF. in relation to unfunded Gold State Super (GSS) contributions. Agencies received funds by way of appropriation equivalent to the GSS contribution amounts which were then paid to the Government Employees Superannuation Board (GESB) and remitted to the Department of Treasury and Finance (DTF). This new process promoted higher levels of data integrity, more efficient contributions processing and accurate benefit payments in the longer term. The change also provided greater consistency across agencies budget presentations, for the expense to be properly recognised as a cost of service and form part of the parliamentary approval of appropriations.

The amounts for the year ended 30 June 2002, in relation to this arrangement were as follows:

	\$'000
Received from Unfunded Agencies	122,633
Returned to the DTF	110,605
Net amount owed to the DTF at 30 June 2002	12,028

The amounts received and paid during the year ended 30 June 2002, have not been included in the Statement of Changes in Net Assets, as they do not represent revenues or expenses of the GESB.

In September 2002, the GESB received advice from the Crown Solicitor's Office that GESB's governing Act does not permit the receipt or payment of these GSS equivalent amounts into or from the GES Fund on behalf of the DTF. The Crown Solicitor's Office has advised that a similar situation exists in respect of certain arrangements relating to the administration of the Parliamentary Superannuation Scheme and the Judges Pension Scheme.

As the GESB has extensive financial management systems in place to monitor superannuation payments by employers, the GESB and DTF have worked with Crown Solicitor's Office to identify a solution that would allow the benefits of the current process to continue whilst using a DTF account instead. The GESB and DTF will cease the current arrangements as soon as the new process is in place. Similar consultations has taken place in respect of the Parliamentary Superannuation Scheme and the Judges Pension Scheme and solutions identified would be put into place as soon as possible.

It should be noted that the current arrangements have no impact on the GES Fund or members' account balances.

(c) Measurement of Assets

Assets of the Fund have been measured at net market value after allowing for estimated costs of realisation. Changes in the net market value of assets are brought to account in the Statement of Changes in Net Assets, in the period in which they occur.

NOTES to and forming part of the Financial Statements

for the Year Ended 30 June 2002

Market values have been determined as follows:

- Shares in listed companies, government securities and other fixed interest securities, by reference to relevant market quotations at 30 June each year.
- Education Department Building Financing Loan, by an independent qualified consultant.
- Properties, by independent valuations obtained from qualified valuers at 30 June each year.
- Units in managed funds, by reference to redemption prices at 30 June each year.
- Fixtures, fittings, equipment and software are carried at the written down value determined in accordance with applicable Income Tax depreciation rates, which are considered a reasonable approximation of market value. For Computer Software Development Projects covering several financial years, costs are accumulated as “Works in Progress” until finalised and in production, at which time costs are amortised over the estimated “useful life” of the software application.

(d) Income Tax Expense

The Commonwealth Income Tax Assessment Act and Regulations were amended on 30 June 1997 declaring the Government Employees Superannuation Fund to be a constitutionally protected fund, and accordingly the Fund is not subject to Income Tax.

However, from 1 July 2002 GESB has introduced its first taxed product within the fund – Retirement Access.

(e) Revenue

Investment revenue and contributions are brought to account on an accrual basis. Dividends on quoted shares are deemed to accrue on the date the dividend

is declared. Changes in the net market value of assets are recognised in the Statement of Changes in Net Assets in the period in which they occur. Transfers from other funds are brought to account when received.

(f) The Government Employees Superannuation Fund

The Government Employees Superannuation Fund is comprised of three superannuation schemes, namely:

Gold State Super (GSS) or “1987 Scheme” – continued under the State Superannuation Act 2000 (established under the Government Employees Superannuation Act 1987), providing a lump sum defined benefit. This scheme was closed to new members effective from 29 December 1995.

West State Super (WSS) or “1993 Scheme” – introduced by amendment to the Government Employees Superannuation Act 1987 on 23 September 1993 to give effect to the provisions of the Commonwealth Government’s Superannuation Guarantee (SG) legislative arrangements which came into effect from 1 July 1992. The regulations governing West State Super have now been consolidated into the State Superannuation Act 2000.

Pension Scheme – continued under the State Superannuation Act 2000 (established under the Superannuation and Family Benefits Act 1938). This scheme was closed to new members with effect from 15 August 1986.

Section 16 of the State Superannuation Act 2000, requires the Board to maintain such accounts within the Fund that are considered necessary for the management of the Fund and its separate elements, and provides guidelines for the apportionment of investment income and expenses between those elements of the Fund.

(g) Liability for Accrued Benefits

Accrued benefits are the benefits that the Fund is committed to provide in the future in respect of the membership at reporting date.

The liability represents the Fund’s present obligation to pay benefits to members and other beneficiaries and has been calculated on the present value of expected future payments arising from membership of the Fund up to reporting date. The amount stated has been determined by reference to expected future salary levels and by application of a market-based, risk adjusted discount rate and appropriate actuarial assumptions.

The liability for accrued benefits is actuarially measured annually for the Pension Scheme, the Gold State Super Scheme and the West State Super. The valuation of accrued benefits for Pension and GSS at the reporting date was undertaken by the actuary, Mercer Human Resource Consulting Pty Ltd, as part of a comprehensive actuarial review of the Fund.

(h) Vested Benefits

Vested Benefits are the benefits that are not conditional upon continued membership of the Fund and include benefits which members are entitled to receive had they terminated membership at the reporting date.

Under the provisions of the State Superannuation Act 2000, member entitlements are vested as follows:

Pension Scheme – no vesting rights until retirement at age 55 years or over, or earlier death or disablement, although on redundancy members have an option to elect for either:

- an actuarial deferred pension payable upon attainment of age 55 years, or

NOTES to and forming part of the Financial Statements

for the Year Ended 30 June 2002

- an immediate cash payment including a State subsidy equal to 2.5 times the member's primary unit contributions, or
- a transfer of membership to GSS and retention of their transferred service entitlements.

GSS and WSS – full vesting from day one.

(i) Recognition of Benefits Payable

All benefit entitlements that were paid or became payable during the financial year have been included within the Statement of Changes in Net Assets. All accrued benefit entitlements that were due and payable as at balance date have also been recognised as a liability within the Statement of Net Assets. Benefits due to members which are not yet payable are not brought to account within the financial statements.

(j) SB Investment Trust

The Government Employees Superannuation Board is the sole unit-holder and beneficiary of the SB Investment Trust. The trust has nominal assets of less than \$2,000 and was a dormant entity during the year.

(k) Board Employee Entitlements

Long Service and Annual Leave entitlements have been determined in accordance with the provisions of AAS 30 "Accounting for Employee Entitlements", and assessed at current remuneration rates with long service leave being calculated on a pro-rata entitlement basis after four years service.

Sick Leave - No liability has been raised for sick leave as these entitlements are non vesting, and sick leave taken each reporting period is less than the entitlement accruing in that period.

Superannuation - The Board's employees have an entitlement to superannuation under one of the

schemes established under the State Superannuation Act 2000.

An unfunded employer liability exists in relation to the employer share of pension entitlements, and the pre-transfer service liability for those employees who transferred to the contributory lump sum scheme (GSS). The liability has been recognised by provision in the Statement of Net Assets at the present value of the future payments, by application of actuarial factors provided for this purpose.

The liability for the superannuation charges under the State Superannuation Act 2000 relating to members of West State and Gold State is extinguished by the payment of concurrent employer contributions.

(l) Superannuation Contributions Tax

As a constitutionally protected Fund, the recording, assessment and collection of the superannuation contributions tax, commonly referred to as the 'contributions surcharge', against members of the Schemes administered by the Government Employees Superannuation Board is performed by the Australian Taxation Office. As a consequence, neither the expense nor the liability for the contributions surcharge has been recognised within these Statements.

(m) Joint Venture Accounting

The Board's interest in joint ventures has been brought to account by including in the accounts of the Fund the Board's share of the joint ventures' individual items of income and expenditure, and assets and liabilities.

(n) Sundry Debtors and Creditors

Sundry Debtors are recognised at the amount receivable. Sundry Creditors represent liabilities for member benefits due and payable, and the value of

goods and services provided to the fund prior to the end of the financial year and which are unpaid.

(o) Comparative Figures

Where necessary, comparative figures have been adjusted to conform with changes in presentation for the current year.

NOTE 2

Investment income and assets

NOTES to and forming part of the Financial Statements

for the Year Ended 30 June 2002

Investment income

	2001/2002				2000/2001			
	Realised Income \$'000	Realised Changes in Net Market Value \$'000	Unrealised Changes in Net Market Value \$'000	Total \$'000	Realised Income \$'000	Realised Changes in Net Market Value \$'000	Unrealised Changes in Net Market Value \$'000	Total \$'000
INTERNALLY MANAGED PORTFOLIO								
Fixed Interest	1,063	-	(281)	782	1,608	-	(781)	827
Indexed Linked Bonds	9,513	4,150	57	13,720	7,455	580	3,846	11,881
Property	23,053	-	4,707	27,760	19,471	-	9,621	29,092
Shares - Australian Equities	8,601	(13,699)	(19,994)	(25,092)	7,967	(540)	18,369	25,796
Total Internally Managed	42,230	(9,549)	(15,511)	17,170	36,501	40	31,055	67,596
EXTERNALLY MANAGED PORTFOLIO								
Fixed Interest	26,348	4,844	(132)	31,060	11,915	(934)	(3,787)	7,194
Inflation Linked Bonds	1,637	5	3,044	4,686	-	-	-	-
Shares - Australian Equities	15,222	(5,980)	(12,495)	(3,253)	16,336	584	30,134	47,054
Shares - Overseas Equities	18,210	(14,785)	(194,024)	(190,599)	9,542	(55,829)	(31,736)	(78,023)
Cash	2,229	2,284	445	4,958	4,818	4,793	667	10,278
Listed Property	9,013	1,855	7,458	18,326	1,538	1	1,329	2,868
Total Externally Managed	72,659	(11,777)	(195,704)	(134,822)	44,149	(51,385)	(3,393)	(10,629)
TOTAL INVESTMENT INCOME	114,889	(21,326)	(211,215)	(117,652)	80,650	(51,345)	27,662	56,967
Less: Investment Expenses								
External Fund Management Fees	5,733	-	-	5,733	5,189	-	-	5,189
Custody Fees	1,125	-	-	1,125	1,044	-	-	1,044
General Administration Costs	321	-	-	321	230	-	-	230
Total Investment Expenses	7,179	-	-	7,179	6,463	-	-	6,463
NET INVESTMENT INCOME	107,710	(21,326)	(211,215)	(124,831)	74,187	(51,345)	27,662	50,504

NOTES to and forming part of the Financial Statements

for the Year Ended 30 June 2002

Realised Income: Realised investment income represents the actual receipts and accruals of interest, property rentals, dividends and income from managed funds and comprises the following:

	2001/2002 Realised Income \$'000	2000/2001 Realised Income \$'000
Interest	40,790	25,796
Dividends	42,033	33,845
Rentals	23,053	19,471
Income from Managed Funds	9,013	1,538
Total Realised Income	114,889	80,650

Realised changes in net market value represents the increase in value of realised investment assets from the beginning of the year to the date of sale.

Unrealised changes in net market value represents the net unrealised gains/(losses) on revaluation of investments at year end.

Investment assets

	Notes	30 June 2002 Net Market Values \$'000	30 June 2001 Net Market Values \$'000
INTERNALLY MANAGED PORTFOLIO			
Fixed Interest		10,629	13,813
Index Linked Bonds		-	257,913
Property	(a)	310,409	303,710
Shares – Australian Equities		255,743	295,608
Sub-Total		576,781	871,044

NOTES to and forming part of the Financial Statements

for the Year Ended 30 June 2002

	Notes	30 June 2002 Net Market Values \$'000	30 June 2001 Net Market Values \$'000
EXTERNALLY MANAGED PORTFOLIO	(b)		
Fixed Interest		496,741	459,681
Inflation Linked Bonds		275,997	-
Shares - Australian Equities		470,346	438,421
Shares - Overseas Equities		940,232	890,992
Listed Property		141,194	122,869
Cash	(c)	108,178	129,636
Sub-Total		2,432,688	2,041,599
TOTAL INVESTMENT PORTFOLIO		3,009,469	2,912,643

(a) Joint Ventures

The Board is a participant in the following joint ventures associated with its Central Park Property holding: -

	Other Participants	Activity	Board's Interest
Tenant Car Park and Park	AMP Society Ltd Perpetual Trustees of Victoria Ltd	Car Parking and Park Management	59.806%
Public Car Park	AMP Society Ltd.	Car Parking	58.222%

(b) Externally Managed Portfolio

The majority of the external investments represent individual investment pools managed by Australian based Fund Managers, via the National Custodian Services. See Appendix 2 for the list of Investment Managers.

	30 June 2002 \$'000	30 June 2001 \$'000
(c) Cash		
Macquarie Investment Management Ltd	79,592	97,268
WA Treasury Corporation	11,565	15,318
SB Investment Trust	2	2
Superannuation Members' Home Loans	17,019	17,048
Total Cash	108,178	129,636

NOTE 3 Financial instrument disclosures

NOTES to and forming part of the Financial Statements

for the Year Ended 30 June 2002

The Investments Division, under the direction of the Board of Directors, develops and manages the overall allocation of assets and manages any funds that are invested internally (other than cash held for liquidity purposes). It also provides investment administration services for the portfolio in conjunction with the external custodian. The Board has developed a detailed investment policy, which sets out the strategies to be adopted to achieve a target rate of return. Under this policy, external specialist managers have been appointed to invest funds within specific investment sectors. These external managers are responsible for managing approximately 81 % (2000/01: 70 %) of Fund's investment assets, with the balance being managed internally by the Board's Investment Division.

The Board of Directors obtains regular reports from each investment manager and from its asset consultants, Frank Russell Company Pty Ltd, on the nature of the investments and their associated risks, including the receipt of formal Risk Management Statements as required by the Australian Prudential Regulation Authority.

(a) Use of derivative financial instruments

A derivatives transaction is a contract whose value depends on (or derives from) the value of an underlying instrument, reference rate or index. Derivatives are usually separated into three generic classes; forwards, options and swaps, although individual products may combine the features of more than one class. The principal features of each of these classes are summarised below. The Board makes use of derivative financial instruments through internally managed investments and also through the portfolios held by its external managers.

The Board has detailed guidelines regarding the use of synthetic and derivative instruments, which must be adhered to by the Board itself and its external managers. The guidelines state that:

The Board may use synthetic and derivative instruments to manage exposures arising out of the Board's investment strategy providing that:

- In the view of the Board or its external managers, the use of the synthetic or derivative instrument will lead to the acquisition/disposal of the asset at a more favourable price than by a transaction in the physical market; and/or
- The use of the synthetic or derivative instrument enhances the risk/return profile of the portfolio subject to the following conditions:
 - (i) The portfolio will not be net short (ie. the Board shall have sufficient physical stock and bought synthetic or derivative instruments to cover its sold position); and
 - (ii) These instruments are not to be used for speculative purposes, that is, these instruments may not be used to gear the underlying position.

In addition to the above general conditions the Board's guidelines also contain more detailed guidance with respect to specific types of synthetic or derivative instruments.

Under the investment strategy of the Board, derivatives are principally used as an effective alternative to physical assets and to gain access to, or allow flexibility in financial markets, in order to manage and structure the Fund's investment portfolio to achieve a desired level of total exposure to various asset classes. Derivatives are not utilised in a speculative manner nor

are they permitted to leverage the investment portfolio.

In line with the organisation's market value accounting policy, derivatives are valued on a mark-to-market basis, which involves the calculation and recognition of unrealised gains and losses on all current positions. Accordingly the Financial Statements reflect all unrealised gains and losses on derivatives.

NOTES to and forming part of the Financial Statements

for the Year Ended 30 June 2002

At 30 June 2002 the significant derivative positions held by the Board's external managers were as follows:

	Notional Principal Amounts		Net Market Value	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Australian Fixed Interest Futures	342,536	69,670	342,803	69,311
Australian Share Price Index Futures	4,344	1,031	4,241	1,037
Exchange Traded Options		(563)		(584)
Forward Foreign Exchange Contracts	—	—	(13,961)	—
Forward rate agreements	—	—	—	(4,442)
	<u>346,880</u>	<u>70,138</u>	<u>333,083</u>	<u>65,322</u>

(b) Credit Risk

The Board's exposure to credit risk is indicated by the carrying amount of its assets, except for its exposure on:

- i) The full amount of the foreign currency it pays when settling a forward exchange contract, should the counterparty not pay the currency amount it is committed to deliver to the Fund.
- ii) Interest rate swap contracts and forward rate agreements which are limited to favourable contracts to the extent of the next interest receipt due;
- iii) The total credit risk for exchange traded options is limited to the amount carried on the balance sheet; and
- iv) The credit risk in relation to futures contracts is the amount of margin calls paid.

The Board does not have any significant exposure to any individual counterparty or industry other than the Government of Western Australia in respect of the Board's unfunded superannuation liability.

(c) Interest Rate Risk

Interest rate risk is the risk of loss due to a change in market and economic conditions, resulting in a change in interest rates. This risk is managed by a combination of duration analysis and derivative positions to enhance the interest rate performance of the investment portfolio.

The Board invests in financial assets for the primary purpose of obtaining a return on investments. The Board's investments are subject to interest rate risks and the return on the investments will fluctuate in accordance with movements in the market interest rates.

NOTES to and forming part of the Financial Statements

for the Year Ended 30 June 2002

The Board's exposure to interest rate movements on those investments at 30 June 2002 was as follows:

	Fixed Interest Rate					Total
	Floating Interest Rate	1 Year or less	1-5 years	Over 5 years	Non Interest Bearing	
30 June 2002	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ASSETS						
Investments						
Cash at call	58,294	-	-	-	-	58,294
Fixed Interest Bonds	-	4,067	201,905	203,375	-	409,347
Inflation linked Bonds	-	1,658	13,902	214,496	-	230,056
Discount Securities	-	144,979	-	-	-	144,979
Floating Rate Notes	-	-	1,537	23,515	-	25,052
Indexed Annuity	-	-	-	39,930	-	39,930
Education building financing loan	-	-	7,851	-	-	7,851
Non Interest Bearing Investments	-	-	-	-	2,093,960	2,093,960
Other Assets						
(Current and Non-Current)	-	-	-	-	40,555	40,555
	58,294	150,704	225,195	481,316	2,134,515	3,050,024
Weighted average interest rate						
	2.1%	5.1%	5.7%	4.6%		
LIABILITIES						
Contribution paid in Advance	-	-	-	-	1,431	1,431
Unpaid & Accrued Benefits Due	-	-	-	-	5,124	5,124
Provision for Employee Entitlements	-	-	-	-	1,974	1,974
Term Loan	-	16,648	78,992	523,423	-	619,063
Provision for Superannuation Liabilities	-	-	-	-	3,601	3,601
Sundry creditors	-	-	-	-	31,472	31,472
		16,648	78,992	523,423	43,602	662,665
Weighted average interest rate						
	0.0%	6.8%	6.8%	6.8%		
Net Financial Assets (Liabilities)	58,294	134,056	146,203	(42,107)	2,090,913	2,387,359

NOTES to and forming part of the Financial Statements

for the Year Ended 30 June 2002

Other fixed interest rate investments include loans made to private organisations secured under Government guarantee and specific purpose arrangements for a superannuation members' home loans program. These securities have been recorded at net market value determined in accordance with prevailing rates.

The Education Department Building, which was financed by the Board, is a mixture between a fixed interest and a property investment. The building was constructed on land leased from the Crown. At the expiration of the ground lease term on 30 June 2005, the property will revert to the Crown. The rental charge on the building is calculated in order to amortise the cost of the development and incorporate an effective rate of return on the Board's investment. The investment has been split between fixed interest and property investments by the Board to more accurately reflect the nature of the investment. The investment is recorded at valuation based upon the future discounted cash flow over the remaining period of the ground lease.

COMPARATIVES

	Floating Interest Rate \$'000	1 Year or less \$'000	Fixed Interest Rate		Non Interest Bearing \$'000	Total \$'000
			1-5 years \$'000	Over 5 years \$'000		
30 June 2001						
ASSETS						
Investments						
Cash at call	105,086	—	—	—	—	105,086
Fixed Interest	—	8,335	142,489	159,486	—	310,310
Indexed Bonds	—	—	10,045	204,287	—	214,332
Discount Securities	—	196,009	—	—	—	196,009
Convertible Notes	—	554	516	—	—	1,070
Floating Rate Notes	—	—	521	15,454	—	15,975
Indexed Annuity	—	—	—	43,838	—	43,838
Education building financing loan	—	—	9,669	—	—	9,669
Non Interest Bearing Investments	—	—	—	—	2,016,354	2,016,354
Other Assets						
(Current and Non-Current)	—	—	—	—	54,807	54,807
	105,086	204,898	163,240	423,065	2,071,161	2,967,450
Weighted average interest rate	2.3%	5.1%	5.4%	4.6%		

NOTES to and forming part of the Financial Statements

for the Year Ended 30 June 2002

30 June 2001	Fixed Interest Rate					Total \$'000
	Floating Interest Rate \$'000	1 Year or less \$'000	1-5 years \$'000	Over 5 years \$'000	Non Interest Bearing \$'000	
LIABILITIES						
Contributions Paid in Advance	-	-	-	-	248	248
Unpaid & Accrued Benefits Due	-	-	-	-	5,091	5,091
Provision for Employee Entitlements	-	-	-	-	2,056	2,056
Term Loan	-	15,566	73,859	545,204	-	634,629
Provision for Superannuation Liabilities	-	-	-	-	3,595	3,595
Sundry creditors	-	-	-	-	12,443	12,443
	-	15,566	73,859	545,204	23,433	658,062
Weighted average interest rate	0.0%	6.8%	6.8%	6.8%		
Net Financial Assets (Liabilities)	105,086	189,332	89,381	(122,139)	2,047,728	2,309,388

(e) Currency Risk Exposures

Currency risk is the risk of fluctuation in the value of overseas investments which are denominated in foreign currencies. The Board, in consultation with its asset consultants, has diversified its overseas portfolio. The Board believes that the long term benefits from investing overseas outweigh the effect of possible short-term currency fluctuations.

In the Board's agreement with its external managers, the management of currency risk is covered in some detail. The Board's international asset managers are able to use transactions such as currency forward contracts and swaps in order to hedge the currency exposure of the Fund. The terms of such contracts must not exceed one year, during which time 100% of the contract commitment must be covered at all times by cash, debt or equity securities denominated in the currency or one highly correlated with the currency sold forward.

Currency risk is managed on an ongoing basis by regular monitoring of the performance of the appointed investment managers.

The Board's exposure at 30 June 2002 to foreign exchange rate movements on its international investments was as follows:

NOTES to and forming part of the Financial Statements

for the Year Ended 30 June 2002

30 June 2002	US Dollar A\$'000	Euro A\$'000	Japanese Yen A\$'000	British Pound A\$'000	Other A\$'000	Total A\$'000
Gross investment amounts denominated in foreign currency <i>less</i> Amount effectively hedged	440,400 (256,593)	142,529 (68,332)	74,307 (43,711)	96,678 (51,313)	83,088 (36,608)	837,002 (456,557)
Net exposure	183,807	74,197	30,596	45,365	46,480	380,445

COMPARATIVES	US Dollar A\$'000	Euro A\$'000	Japanese Yen A\$'000	British Pound A\$'000	Other A\$'000	Total A\$'000
30 June 2001						
Gross investment amounts denominated in foreign currency <i>less</i> Amount effectively hedged	458,992 (240,630)	142,014 (75,928)	86,099 (46,361)	88,922 (42,206)	61,585 (31,573)	837,612 (436,698)
Net exposure	218,362	66,086	39,738	46,716	30,012	400,914

(f) Market Risk

Market risk relates to the risk of loss due to a change in market and economic conditions (eg. interest rate change, share price fluctuations or exchange rate fluctuations). The Board invests in Australian and overseas equities, fixed interest securities, property and other financial securities and therefore is exposed to market risk on all of its investment assets.

(g) Net Fair Values of Financial Assets and Liabilities

Net fair values of financial assets and liabilities are determined by the Board after being adjusted for any transaction costs necessary to realise the asset and include any accrued interest. Transaction costs may include taxes, duties, fees, brokerage and commissions.

No financial assets are recognised or carried in excess of their net fair value.

Disclosures of hedges of anticipated future transactions are provided by the Fund Manager.

The Board does not enter into or hold any commodity contracts.

NOTES to and forming part of the Financial Statements

for the Year Ended 30 June 2002

(h) Unitised Investments

The investment managers of unitised investment vehicles have investments in a variety of investment instruments, including derivatives that expose the Board's investments to a variety of investment risks, including market risk, credit risk, interest risk and currency risk.

4a Employer contributions

	2002 \$,000	2001 \$,000
Pension Scheme		
Employer's Share of Pensions	210,952	205,049
Gold State Superannuation Scheme		
Employer Contributions – Recoup Agencies	36,349	38,472
Recoup Past Service Liabilities	8,120	15,292
Recoup Consolidated Fund Portion of Lump Sum Benefits	120,299	150,141
	164,768	203,905
West State Superannuation Scheme		
Employer Contributions	204,796	218,255
Recoup Treasury Unfunded Liabilities	51,004	—
	255,800	218,255
Total Employer Contributions	631,520	627,209

NOTE 4 Employer contributions, benefit payment and other income

NOTES to and forming part of the Financial Statements

for the Year Ended 30 June 2002

4b Superannuation benefit payments

	2002 \$,000	2001 \$,000
Pension Scheme		
Pensions	219,169	216,861
Commutation Lump Sums	1,496	1,208
Refunds of Contributions & Interest	649	665
Interest on Deferred Refunds	1	1
	221,315	218,735
Gold State Superannuation Scheme		
Retirement	120,029	157,396
Disability	37,042	26,525
Preserved Benefits	46,089	123,079
Retrenchment/Death	7,910	7,323
	211,070	314,323
West State Superannuation Scheme		
Retirement	65,503	48,479
Disability	7,520	6,774
Death	3,772	2,430
Preserved Benefits	524	29,311
	77,319	86,994
Total Superannuation Benefits Payments	509,704	620,052
4c Other income		
Benefit Payment Fee, etc.	269	280
Total Other Income	269	280

Note 5 Liability for accrued benefits

NOTES to and forming part of the Financial Statements

for the Year Ended 30 June 2002

The latest valuation of accrued benefits was undertaken by the Board's actuary, Mercer Human Resource Consulting Pty Ltd, as part of their comprehensive investigation of the Fund as at 30 June 2002, in accordance with the provisions of Section 17 of the State Superannuation Act 2000.

GROSS ACCRUED BENEFITS

The liability for accrued benefits is the Fund's present obligation to pay benefits to members and beneficiaries, and has been calculated on the basis of the present value of payments expected to occur in respect of those obligations which arise from membership of the Fund up to measurement date. The amount stated has been determined by adding the liability for accrued benefits related to funded liabilities and the unfunded liabilities in respect of completed membership (see below).

	Gold State Super		West State Super		Pension Scheme		Total	
	2002	2001	2002	2001	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Gross Accrued Benefits	3,415,589	3,265,925	1,390,801	1,245,919	2,748,372	2,777,055	7,554,762	7,288,899

LIABILITY FOR ACCRUED BENEFITS RELATED TO FUNDED LIABILITIES

The liability for accrued benefits of the Fund related to funded liabilities as at 30 June 2002, was calculated by the Board's actuary and determined by reference to expected future salary levels and by application of market-based, risk-adjusted discount rates appropriate to the expected investment returns of the Fund and other relevant actuarial assumptions.

This value may be compared to the net assets of the Fund for the purpose of considering the financial position of the Fund as at balance date. Details of this liability are set out below: -

	Gold State Super		West State Super		Pension Scheme		Total	
	2002	2001	2002	2001	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Accrued Liability Related to Funded Liabilities	1,255,589	1,127,925	771,738	610,919	101,372	97,055	2,128,699	1,835,899

NOTES to and forming part of the Financial Statements

for the Year Ended 30 June 2002

UNFUNDED LIABILITIES IN RESPECT OF COMPLETED MEMBERSHIP

A proportion of member benefits is only funded by employers upon the emergence or payment of member entitlements.

The Treasury Department, for their own purposes, has determined the value of the unfunded liabilities of employers (ie. the Government) which have arisen in respect of membership of the Fund up to 30 June 2002, based on advice from the actuarial firm, PricewaterhouseCoopers. The PricewaterhouseCoopers valuation of unfunded liabilities adopts a different discount rate to that adopted for funded liabilities. The discount rate adopted is a long-term Government guaranteed security rate.

The Board's actuary considered it appropriate that these values be taken as the amount of the Fund's unfunded liabilities in respect of completed membership as these amounts will not be funded from the Fund's investments. These values are as follows:

	Gold State Super		West State Super		Pension Scheme		Total	
	2002	2001	2002	2001	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Unfunded Liabilities In Respect of Completed Membership	2,160,000	2,138,000	619,063	635,000	2,647,000	2,681,000	5,426,063	5,454,000

Whilst the unfunded liability in respect of West State Super stands at \$619m as at 30 June 2002, an agreement has been reached with the Government that this amount will be funded over a 20 year period commencing 15 July 2001. Individual member accounts have been fully funded by way of a term loan by Western Australian Treasury Corporation, please see Note 15.

RESERVES

In addition to the above funded liabilities, the actuary recommends that the schemes maintain explicit reserves against investment fluctuations, mortality deterioration and insurance claims as set out below.

	Gold State Super		West State Super		Pension Scheme		Total	
	2002	2001	2002	2001	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Minimum Benefit Guarantee Reserve	-	-	42,334	46,000	-	-	42,334	46,000
Loan Interest Accrual Reserve	-	-	(8,739)	-	-	-	(8,739)	-
Investment Fluctuation Reserve	66,000	253,000	-	-	3,000	14,000	69,000	267,000
Mortality Deterioration Reserve	-	-	-	-	-	10,000	-	10,000
Insurance Claim Reserve	5,000	5,000	5,000	5,000	-	-	10,000	10,000
Total Reserves As at 30 June 2002	71,000	258,000	38,595	51,000	3,000	24,000	112,595	333,000

NOTES to and forming part of the Financial Statements

for the Year Ended 30 June 2002

	Gold State Super		West State Super		Pension Scheme		Total	
	2002	2001	2002	2001	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Movement in Reserves								
Minimum Benefit Guarantee Reserve								
Balance 1st July 2001	-	-	46,000	-	-	-	46,000	-
Transfer from Loan Interest								
Accrual Reserve	-	-	2,567	-	-	-	2,567	-
Miscellaneous adjustment	-	-	1,455	-	-	-	1,455	-
Transfer in/(out) from Investment								
Fluctuation Reserve	-	-	-	46,000	-	-	-	46,000
Investment earnings	-	-	(2,119)	-	-	-	(2,119)	-
(Under)/Over recovery of								
Administration costs	-	-	(5,693)	-	-	-	(5,693)	-
Transfer from Insurance Reserve	-	-	2,301	-	-	-	2,301	-
Applied against Minimum								
Benefit Guarantee	-	-	(2,177)	-	-	-	(2,177)	-
Balance at 30th June 2002	-	-	42,334	46,000	-	-	42,334	46,000
Loan Interest Accrual Reserve								
Balance 1st July 2001	-	-	-	-	-	-	-	-
Transfer to Minimum Benefit								
Guarantee Reserve	-	-	(2,567)	-	-	-	(2,567)	-
Current year movement in accrual	-	-	(6,172)	-	-	-	(6,172)	-
Balance at 30th June 2002	-	-	(8,739)	-	-	-	(8,739)	-

NOTES to and forming part of the Financial Statements

for the Year Ended 30 June 2002

	Gold State Super		West State Super		Pension Scheme		Total	
	2002	2001	2002	2001	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Investment Fluctuation Reserve								
Balance 1st July 2001	253,000	306,000	-	58,000	14,000	19,700	267,000	383,700
Amount (utilised)/credited during current year	(187,000)	(53,000)	-	(12,000)	(11,000)	(5,700)	(198,000)	(70,700)
Transfer to Minimum Benefit Guarantee Reserve	-	-	-	(46,000)	-	-	-	(46,000)
Balance at 30th June 2002	66,000	253,000	-	-	3,000	14,000	69,000	267,000
Mortality Deterioration Reserve								
Balance 1st July 2001	-	-	-	-	10,000	9,800	10,000	9,800
Amount (utilised)/credited during current year	-	-	-	-	(10,000)	200	(10,000)	200
Balance at 30th June 2002	-	-	-	-	-	10,000	-	10,000
Insurance Claim reserve								
Balance at 1st July 2001	5,000	5,000	5,000	5,000	-	-	10,000	10,000
Surplus for the year	-	-	2,301	-	-	-	2,301	-
Transfer to Minimum Guarantee Reserve	-	-	(2,301)	-	-	-	(2,301)	-
Balance at 30th June 2002	5,000	5,000	5,000	5,000	-	-	10,000	10,000

NOTES to and forming part of the Financial Statements

for the Year Ended 30 June 2002

Minimum Benefit Guarantee Reserve

Under the WSS Scheme rules, each member is guaranteed a benefit equal to the greater of the balance of their account at the date of exit and the balance of their account as at 30 June 2001 indexed by CPI plus 2% to the exit date. The minimum benefit guarantee reserve is designed to fund any amounts payable under this guarantee which are the greater than the balance of the member's account at the exit date.

As at 30 June 2002, if all members had exited WSS at that date, the amount that would be payable under the guarantee would have been \$40.8m (2001, \$nil). This is the maximum exposure of the fund at that date and is less than the balance of the minimum benefit guarantee reserve at that date. This exposure for each individual member will increase or decrease in the future as follows:

- it will decrease for any contributions made on behalf of the member
- it will increase or decrease to the extent that future earnings of the fund are less than or greater than CPI plus 2%.

It is expected that the value of the guarantee will reduce significantly as contributions are made for active members. It will however remain significant for deferred members.

Loan Interest Accrual Reserve

The loan interest accrual reserve is in respect of interest accrued on the loan from Western Australian Treasury Corporation at year end. A mismatch occurs for the amount of the accrual as the contribution to be received from Western Australian Treasury which funds the payment of the interest expense has not yet been received at year end and is not accrued in the financial statements. The mismatch reserve is expected to decrease to nil over the life of the arrangement.

Investment Fluctuation Reserve

The investment fluctuation reserve is designed to assist in smoothing the impact of fluctuations in investment earnings over time and to protect the Fund against a period of sustained poor investment reserves.

Mortality Deterioration Reserve

This reserve was created in the past to protect the Pension Scheme against any adverse mortality experience. The amount was utilised in the current year to support strengthening of the assumptions used in the measurement of the liability for accrued benefits.

Insurance Claim Reserve

This reserve is designed to protect the fund from any losses that might arise from its practice of self-insurance for death and disability expense.

Note 6 Vested benefits

NOTES to and forming part of the Financial Statements

for the Year Ended 30 June 2002

Australian Accounting Standard AAS25 requires the disclosure of vested benefits as at 30 June 2002. The latest determination of vested benefits was undertaken by the Board's actuary, Mercer Human Resource Consulting Pty Ltd, as part of a comprehensive investigation of the Fund. The levels of vested benefits, as reported by the actuary are as follows: -

	Gold State Super		West State Super		Pension Scheme		Total	
	2002	2001	2002	2001	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Gross Vested Benefits	3,527,997	3,232,225	1,431,578	1,243,010	2,323,928	2,249,683	7,283,503	6,724,918

The liability for vested benefits of the Fund related to funded liabilities as at 30 June 2002 may be compared to the net assets of the Fund at reporting date for the purpose of considering the financial position of the Fund as at balance date. These values are as follows:

	Gold State Super		West State Super		Pension Scheme		Total	
	2002	2001	2002	2001	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Vested Benefits Related to Funded Liabilities	1,402,026	1,263,522	812,508	610,919	101,372	97,055	2,315,906	1,971,496

The discount rate adopted to value vested benefits was the same rate adopted by the Board's actuary to value funded accrued benefits.

The payment of benefits to members or their beneficiaries of the lump sum schemes is guaranteed by the State under 31 of the State Superannuation Act 2000.

Benefits paid to members and beneficiaries of the pension scheme and provident account are guaranteed to the extent that Sections 30, 46, 62 and 83AA of the Superannuation and Family Benefits Act, 1938 (continued under section 26 (Transitional and Consequential Provisions) of the State Superannuation Act 2000) provide for the State to pay the required employer share of benefits. The Consolidated Fund is permanently appropriated for the purpose of meeting the State's obligations.

Note 7 Guaranteed benefits

Note 8 Employer funding arrangements

NOTES to and forming part of the Financial Statements

for the Year Ended 30 June 2002

The funding policy adopted by the Government in respect of the Fund is directed at ensuring that benefits accruing to members and beneficiaries are fully funded at the time benefits become payable. As such, the Actuary has considered long-term trends in such factors as scheme membership, salary growth and average market value of Fund assets when advising the Government on employer and employee contribution rates. The employer funding arrangements under the Government Employees Superannuation (GES) Act (GSS and WSS Schemes) and the Superannuation and Family Benefits Act (Pension Scheme) are summarised as follows: -

(a) Gold State Superannuation Scheme

Those employers listed in Division 2 of Schedule 1 of the State Superannuation Regulations 2001 are required under Regulations 29 and 30 to make concurrent employer contributions direct to the Fund in respect of contributory members who are their employees.

The remaining employers, as listed under Division 1 of Schedule 1 of the State Superannuation Regulations 2001, are not required to make concurrent contributions. It is Government policy that these employer liabilities be met from the Consolidated Fund at the time that the benefits become payable to members.

The employer contribution rate for 2001/02 for contributory members was 12.0% (2000/01: 12.0%) of a member's salary, based on a 5% member contribution. The employer contribution rate is proportionately less or more where members elect for a contribution rate of 3%, 4%, 6% or 7% of salary. The Consolidated Fund liability for 2001/02 was assessed at

70.59% (2000/01: 70.59%) of the contributory service benefit and is payable at the time payment is made to the member.

In respect of those members who transferred their membership from the Pension Scheme, the employer liability in relation to service or period of employment constituted as service for the purposes of the Superannuation and Family Benefits Act, is calculated at a rate of 12% of final average salary for each year of such service, based upon a 5% member's average contribution rate to the Scheme (this rate is proportionately less where a member's average contribution rate is less than 5%). This employer liability becomes payable on the emergence (Division 1, Schedule 1 Employers) or payment (Division 2, Schedule 1 Employers) of the benefit to the member.

In the former case, contributions are unfunded but notional contributions are placed in departmental budgets so that the superannuation component is accurately reflected in an agency's financial statements. The agency forwards the notional GSS contribution to the GESB. Amounts received are remitted back to the Department of Treasury and Finance on a monthly basis and are not recognised as contributions in the GESB financial statements as disclosed in Note 1 (b).

(b) West State Superannuation Scheme

The West State Superannuation Scheme was established with effect from 1 July 1992 to comply with the provisions of the Commonwealth Superannuation Guarantee (Administration) Act 1992. The employer contribution rate payable is determined under Commonwealth legislation. Between 1 July 2000 and 30 June 2002 the rate has been 8%. Since 1 July 2002 the rate is 9%.

(c) Pension Scheme

The Pension Scheme is a unit-based scheme. The level of pension payable is determined by the number of units purchased, the length of service and the final salary of the member. The employer liability is funded only on the emergence of a member's pension benefit entitlement and is recouped fortnightly following the payment of each pension.

Note 9 Administration expenses

NOTES to and forming part of the Financial Statements

for the Year Ended 30 June 2002

Details of administration expenses incurred by the Board during the year ended 30 June 2002 are set out below:

		2001/02 Actual	2001/02 Budget	Variance Actual to Budget	Variance Actual to Budget	2000/01 Actual	Variance Actual to Actual	Variance Actual to Actual
		\$	\$	\$	%	\$	\$	%
Employment Expenses	(i)	10,750,953	11,502,889	(751,936)	(6.5)	9,759,477	991,476	10.2
Professional Fees (actuarial, legal, medical, audit and consultancy fees)	(ii)	1,818,957	1,740,856	78,101	4.5	2,663,740	(844,783)	(31.7)
Electronic Data Processing Costs	(iii)	4,824,389	4,728,655	95,734	2.0	3,595,808	1,228,581	34.2
Other Administration Costs	(iv)	3,763,176	4,265,180	(502,004)	(11.8)	3,342,377	420,799	12.6
		<u>21,157,475</u>	<u>22,237,580</u>	<u>(1,080,105)</u>	<u>(4.9)</u>	<u>19,361,402</u>	<u>1,796,073</u>	<u>9.3</u>
Less:								
Capitalised operating costs	(v)	(1,284,223)	(663,734)	(620,489)	93.5	(1,240,056)	(44,167)	3.6
Recoup of costs incurred in the administration of the Parliamentary Superannuation scheme and Judicial Pension Scheme	(vi)	(400,000)	(180,000)	(220,000)	122.2	—	(400,000)	—
Administration costs excluding changes in market value of assets		19,473,252	21,393,846	(1,920,594)	(9.0)	18,121,346	1,351,906	7.5
Changes in Net Market Values								
Other Assets	(vii)	4,297,271	6,217,000	(1,919,729)	(30.9)	3,848,120	449,151	11.7
Total Schemes Administration costs		<u>23,770,523</u>	<u>27,610,846</u>	<u>(3,840,323)</u>	<u>(13.9)</u>	<u>21,969,466</u>	<u>1,801,057</u>	<u>8.2</u>

Allocation of Administration Expenses to the Schemes within the fund may be analysed as follows:

	2002 \$	2001 \$
West State Superannuation Scheme		
Charged against member accounts	6,365,448	6,880,942
Carried forward for recovery in subsequent years	424,147	(576,157)
Not recovered	4,904,074	3,963,220

NOTES to and forming part of the Financial Statements

for the Year Ended 30 June 2002

		2002 \$	2001 \$
Total West State Superannuation Scheme		11,693,669	10,268,005
Gold State Superannuation Scheme	(2)	9,096,692	8,478,074
Pension/Provident		1,509,607	1,428,042
Investment Administration		1,219,466	1,795,345
Retirement Products	(3)	251,089	—
Total scheme administration costs		23,770,523	21,969,466

(1) Includes fees unable to be charged under member benefit protection and other costs not considered to be recoverable from members.

(2) Administration fees are implicit in the scheme design.

(3) The amount shown for Retirement Products represents the amount of development and associated costs incurred during the year.

In accordance with Treasurer's Instruction 945, the following notes are provided where there is 'significant variation' between Actual expenditure and Budget or the prior year's Actual

'Significant variation' is defined as a variance from Actual or Budget of greater than 10% of total administrative expenditure or \$200,000, whichever is smaller.

(i) Employment Expenses

(a) 2001/02 Actual to Budget (Saving \$751,936)

- Delays in recruitment to and/or commencement of scheduled activities.

(b) 2001/02 Current/Previous (Increased cost \$991,476)

- Enterprise Bargaining Agreement and Work Place Agreement wage increase
- Full year effect of the establishment of the Member Services Centre.
- Additional staff to support employer relationship management.
- Additional resources to market and develop retirement products.
- Increase in staff to support legislative change management.
- Funded redeployees.

Notes on
major
variances in
administration
expenditure

NOTES to and forming part of the Financial Statements

for the Year Ended 30 June 2002

- Increased expenditure resulting from a commitment to staff development bringing GESB in line with industry training norms.

(ii) Professional Fees

(a) 2001/02 Current/Previous Years Actual (Saving \$844,783)

- Expenditure in 2000/01 included funding for industry specialists to assist with the development of the business and the implementation of the CAPITAL (Superannuation) system and Member Investment Choice.

(iii) Electronic Data Processing Costs

2001/02 Current/Previous Years Actual (Increased cost \$1,228,581)

- Expenditure for 2001/2 includes the “startup costs” associated with the first year of IT Outsourcing
- There was also an increase in costs due to the support required through the introduction of CAPITAL (Superannuation) system, Electronic Imaging and Workflow and Member Investments Choice.

(iv) Other Administration Costs

(a) 2001/02 Actual to Budget (Saving \$502,004)

- The postponement of a number of marketing activities caused the non-utilisation of promotional and other funds earmarked for this purpose.
- GST Irrecoverable Expense – Actual \$367,626
Budget \$650,000

(b) Current/Previous Years Actual (Increased cost \$420,799)

- The business has focussed on developing its customer relationships with both members and employers. In pursuit of this objective, costs were incurred in producing additional statements, brochures, forms and other information including investment updates.
- There was an increase in the lease costs for the Board’s accommodation.

(v) Capitalised Operating Costs

(a) 2001/02 Actual to Budget (Increased charge \$620,489)

- Introduction of activity based model for calculation of capitalised expenses resulted in an increase in capitalised operating costs.

(vi) Recoup of costs incurred in the administration of the Parliamentary Superannuation Scheme Postage and Telephone Charges

(a) 2001/02 Actual to Budget (Increased Revenue \$220,000)

- The recoup for 2001/02 includes the current and previous years amounts. The budget figure reflects one year’s recoup only.

(b) Current/Previous Years Actual (Increased Revenue \$400,000)

- No recoup made in 2000/01. Double recoup brought to account for 2001/02

(vii) Changes in Net Market Values Other Assets

(a) 2001/02 Actual to Budget (Saving \$1,919,728)

- Reduction in the rate of amortisation of Software Development Costs from 33.3% to 20%.

(b) Current/Previous Years Actual (Increase cost \$449,152)

- Amortisation of the Software Development Expenditure for the Core Superannuation System completed in 2000/01.

Note 10

Apportionment of net assets

NOTES to and forming part of the Financial Statements

for the Year Ended 30 June 2002

Section 16 of the State Superannuation Act 2000, (formerly Section 10 of the Government Employees Superannuation Act 1987), requires the Board to maintain such accounts within the Fund that are considered necessary for the management of the Fund and its separate elements and provides guidelines for the apportionment of investment income and expenses between those elements of the Fund.

Contribution receipts and benefit payments have been directly allocated to the relevant scheme.

Investment income and expenses (Note 2) and Fund administration costs (Note 9) have been apportioned between the Schemes as follows:

(a) Apportionment of Investment Income

Section 22 of the State Superannuation Act 2000 provides that the Board is to allocate earnings derived from the investment of the fund between the schemes in accordance with the Treasurer's guidelines and otherwise as it considers appropriate. The Board's policy in previous years has been to divide the income between the schemes based on the monthly aggregate of the amounts standing to the credit of each scheme during the year. In the current year, as a result of the introduction of Member Investment Choice, the income attributable to West State Super has been allocated in accordance with the income actually credited to member accounts. The balance of income has been allocated to other schemes and to the WSS reserves on the same basis as in previous years.

(b) Apportionment of Administration Expenses

The cost of Fund administration has been allocated between the various Schemes using an activity based costing model.

A breakdown of administration expenses by scheme and showing the amount actually charged to members accounts in the year is shown at Note 9.

(c) Apportionment of Net Assets.

The Net Assets of the Fund have been apportioned between the elements of the Fund (ie. Schemes) as follows:

	2002 \$'000	2001 \$'000
Gold State Super Scheme	1,473,558	1,528,868
West State Super Scheme	810,332	662,857
Pension Scheme		
– Pensions	103,424	117,350
– Provident Account	296	313
Retirement Products	(251)	-
	<u>2,387,359</u>	<u>2,309,388</u>

The negative amount shown for Retirement Products represents the amount of development and associated costs incurred for the year.

Note 11

Fixed assets

NOTES to and forming part of the Financial Statements

for the Year Ended 30 June 2002

Fixed assets comprise computer hardware and software, computer software development projects and office furniture and equipment. These assets are recorded at written down depreciated or amortised values, details of which are as

	2002		2001	
	\$'000	\$'000	\$'000	\$'000
Computer Hardware Costs	4,157		4,608	
Less: Provision for Depreciation	2,548	1,609	2,955	1,653
Computer Software Costs	20,478		26,404	
Less: Accumulated Amortisation	4,412	16,066	13,394	13,010
Office Furniture, Equipment and Renovations	3,588		3,317	
Less: Provision for Depreciation	2,545	1,043	2,427	890
		18,718		15,553

Reconciliation of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current and previous financial year are set out below;

2002

	Computer Hardware	Computer Software	Office Furniture, Equipment and Renovations	Total
	\$000's	\$000's	\$000's	\$000's
Carrying amount at start of year	1,653	13,010	890	15,553
Additions	638	6,553	284	7,475
Disposals	(7)	-	(6)	(13)
Depreciation/amortisation expense	(675)	(3,497)	(125)	(4,297)
Carrying amount at end of year	1,609	16,066	1,043	18,718

NOTES to and forming part of the Financial Statements

for the Year Ended 30 June 2002

2001

	Computer Hardware	Computer Software	Office Furniture, Equipment and Renovations	Total
	\$000's	\$000's	\$000's	\$000's
Carrying amount at start of year	1,105	8,261	434	9,800
Additions	1,309	7,706	686	9,701
Disposals	(100)	-	-	(100)
Depreciation/amortisation expense	(661)	(2,957)	(230)	(3,848)
Carrying amount at end of year	1,653	13,010	890	15,553

Note 12

Sundry debtors and creditors

NOTES to and forming part of the Financial Statements

for the Year Ended 30 June 2002

(a) Sundry Debtors

Represented by:-

	2002		2001	
	\$'000	\$'000	\$'000	\$'000
Investments-				
Property Amounts Receivable	1,863		555	
Accrued Interest	40		72	
		1,903		627
Superannuation				
Pension Scheme				
Contribution Arrears	—		69	
Recoup State's Share of Pensions	4,760		4,698	
Overpaid Pensions	73		55	
		4,833		4,822
Gold State Superannuation Scheme				
Employer Contributions	8,000		8,296	
Contribution Arrears	1,878		562	
Contributions in Transit	—		106	
Overpaid Benefits	95		60	
		9,973		9,024
West State Superannuation Scheme				
Employer Contributions	732		1,682	
Recoup Consolidated Fund's unfunded portion WSS Benefits	—		16,838	
Overpaid Benefits	67		7	
		799		18,527
Other debtors		1,853		3,655
		19,361		36,655

NOTES to and forming part of the Financial Statements

for the Year Ended 30 June 2002

(b) Sundry Creditors

Represented by:-

	2002 \$'000	2001 \$'000
Investments		
Property Amounts Payable	—	299
Management Fees etc	1,746	1,456
Superannuation		
Pension Scheme		
State's Share of Pension Recoups	36	16
June Taxation on Benefits	—	6
Gold State Superannuation Scheme		
Benefits Due and Payable	3,989	6,770
Employer Contributions – Treasury repayment.	14,289	—
West State Superannuation Scheme		
Benefits Due and payable	497	167
WATC Interest	8,739	2,567
Other creditors and accruals	2,176	1,162
	31,472	12,443

Note 13 Provision for employee entitlements

NOTES to and forming part of the Financial Statements

for the Year Ended 30 June 2002

The provision for employee entitlements for long service leave and annual leave has been calculated by the Actuary, Mercer Human Resource Consulting Pty Ltd, in accordance with the provisions of Accounting Standard AAS 30.

The value of leave entitlements has been estimated at:-

	2002 \$'000	2001 \$'000
Current Liability		
Long Service Leave	347	435
Annual Leave	693	666
	1,040	1,101
Non - Current Liability		
Long Service Leave	934	954
	1,974	2,055
Number of employees	180	210

Note 14 Provision for superannuation liabilities

The Board's employees have an entitlement to superannuation under the State Superannuation Act 2000.

The Pension scheme was closed to new members on 15 August 1986. The scheme is unit based with the level of member pension entitlements being determined by the number of units purchased at the date of retirement, recognised service and the member's final salary. The employer liability is funded only on the emergence of each fortnightly pension payment.

Gold State Super and West State Super are concurrently funded by the Board in accordance with the rates prescribed within the relevant sections of the State Superannuation Regulations 2001 that support the State. The payment of these employer contributions fully meets the Board's current superannuation obligations in respect of its employees who are members of these schemes.

In respect of current employees who transferred from the Pension Scheme to the Gold State Super Scheme, the Board has an unfunded liability in relation to the period of aggregate service completed prior to transfer. This liability is calculated at the rate of 12% of the employees' final average salary and is payable upon the emergence of the entitlement.

The disclosure required by paragraph 51(e)(i)(B) of AAS 30 in respect of defined benefit superannuation plans sponsored by the employer as being the employer's share of the difference between employees' accrued entitlements and the attributable net market value of the plan's assets, has not been reported. Any actuarial surplus/deficiency, under either of the schemes, is recognised by the State in its whole of government reporting. Any amount thereof that could be attributed to the Board is not readily available as this information is not maintained at an employer level and the benefit of the disclosure of such information would be exceeded by the costs of deriving it.

NOTES to and forming part of the Financial Statements

for the Year Ended 30 June 2002

The Board's unfunded superannuation liability has been recognised by provision in the Statement of Net Assets at the present value of the future expected payments, in relation to:-

	2002 \$'000	2001 \$'000
The value of the employer financed portion of future pension payments to Pension Scheme Members	1,967	1,988
The employer cost of accumulated benefits earned by current employees who are contributors to the Pension Scheme	95	68
The accumulated liability in relation to the transferred service of employees who transferred to the Gold State Superannuation Scheme	1,539	1,539
	3,601	3,595

The liability has been established by reference to each employee/pensioner entitlement and application of actuarial factors for determination of the net present value of the Board's unfunded liability.

The liability for the superannuation charges under the State Superannuation Act 2000 is extinguished by the payment of employer contributions to the GESB.

Note 15 Term loan from Western Australian Treasury Corporation

The Term Loan from Western Australian Treasury Corporation commenced on 30th May 2001 and was incurred to enable the balances on West State Super member's accounts at 1 July 2001 to be fully funded from an investment perspective. This funding was a prerequisite for Member Investment Choice, as all monies had to be available to be invested in accordance with the Plans chosen by members of the West State Super Scheme.

The loan is unsecured and is repayable in quarterly instalments over 20 years. It bears interest at a fixed rate of 6.5699% p.a., plus a government fee of 0.2000% p.a. The interest brought to account for the period to 30 June 2002 is \$41,840,818.

Loan repayments are fully funded by corresponding and equivalent quarterly payments to GESB by the Western Australian Treasury in settlement of the unfunded liability for West State Super members. An amount of \$51,004,467 has been included in employer contributions for the year.

Note 16

Remuneration of members of the board and senior officers

NOTES to and forming part of the Financial Statements

for the Year Ended 30 June 2002

The total fees, salaries and other benefits received or due and receivable from the Board or any related body for the financial year by:

	2002 \$	2001 \$
Members of the Board	164,503	154,759
Senior Officers	777,871	656,652

The number of members of the Board whose total fees, salaries and other benefits received or due and receivable for the financial year, falls within the following bands:

	2002	2001
\$ 1 — \$10,000	1	-
\$10,001 — \$20,000	1	-
\$20,001 — \$30,000	3	4
\$50,001 — \$60,000	1	1
	6	5

The Board is comprised of seven Board Directors. During 2001/02, remuneration in accordance with Section 8(2) of the State Superannuation Act 2000, was paid to five Board Members. The remaining two Members of the Board namely, P.J. Farrell and D. Robertson do not receive any fees or other benefits because government policy does not allow such payments to persons in the public sector employment.

The number of Senior Officers whose total of salaries and other benefits received or due and receivable for the financial year, falls within the following bands:

	2002	2001
\$40,001 — \$50,000	1	1
\$80,001 — \$90,000	—	2
\$100,001 — \$110,000	2	1
\$110,001 — \$120,000	1	1
\$170,001 — \$180,000	1	—
\$190,001 — \$200,000	—	1
\$210,001 — \$220,000	1	—
	6	6

“Senior Officer” represents a person, by whatever name called, who is concerned, or takes part, in the management of the Board, but excludes any person acting in such a position for a limited period.

Note 17 Retirement benefits

NOTES to and forming part of the Financial Statements for the Year Ended 30 June 2002

In respect of members of the Board and Senior Officers, the following amounts were paid or became payable during the financial year:

	2002 \$	2001 \$
Members of the Board	—	—
Gold State Super Scheme	—	—
West State Super Scheme	12,185	11,464
Senior Officers	76,386	73,132
Gold State Super Scheme	19,672	6,998
West State Super Scheme	—	—

The total fee paid or due and payable to the Auditor General for the financial years was as follows:-

	2002 \$	2001 \$
Fee for Audit	202,000	126,591

No related party transactions occurred during the current or previous financial years.

In accordance with Section 45 of the Financial Administration Act 1985 (as amended), the Board approved the write-off of the following amount during the financial year.

	2002 \$	2001 \$
Irrecoverable superannuation benefit overpayments	—	3,217

Note 18 Remuneration of auditor

Note 19 Related party transactions

Note 20 Write-offs

Note 21 Commitments

NOTES to and forming part of the Financial Statements for the Year Ended 30 June 2002

The Board has a continuing commitment in relation to Outsourced Information Technology services.

The contract runs to 31 March 2006. At 30 June 2002 the estimated outstanding value of the contract is expected to be in the vicinity of \$12,564,000 and incurred as follows:

	\$ 000s
Within the next 12 months	2,960
1 to 2 years	2,700
2 to 5 years	6,904
Total	12,564

In accordance with Treasurer's Instruction 945, this statement compares 2001/02 Income and Expenditure as shown within the Statement of Operations with:

(a) The 2001/02 Budget figures published in the 2001 Annual Report

(b) The 2000/01 Income and Expenditure figures

		2001/02 Actual	2001/02 Budget	Variance Actual to Budget	Variance Actual to Budget	2000/01 Actual	Variance Actual to Actual	Variance Actual to Actual
	Notes	\$'000	\$'000	\$'000	%	\$'000	\$'000	%
REVENUE FROM ORDINARY ACTIVITIES								
Investment Income								
Investment Income	(i)	(117,652)	248,278	(365,930)	(147)	56,967	(174,619)	(307)
Less: Investment Expenses	(ii)	(7,179)	(8,450)	1,271	(15)	(6,463)	(716)	11
Investment Income		(124,831)	239,828	(364,659)	(152)	50,504	(175,335)	(347)
Superannuation Income								
Contributions								
Employee		113,872	106,332	7,540	7	110,827	3,045	3
Employer								
- Pension Scheme		210,952	215,677	(4,725)	(2)	205,049	5,903	3
- Gold State Super Scheme	(iii)	164,768	190,173	(25,405)	(13)	203,905	(39,137)	(19)
- West State Super Scheme	(iv)	255,800	267,454	(11,654)	(4)	218,255	37,545	17
Inward Transfer from Other Funds	(v)	32,456	12,000	20,456	170	12,143	20,313	167
Other Income		269	0	269	n.a.	280	(11)	(4)
Sub Total		778,117	791,636	(13,519)	(2)	750,459	27,658	4
Total Revenue From Ordinary Activities		653,286	1,031,464	(378,178)	(37)	800,963	(148,677)	(18)

Note 22 Explanatory statement

NOTES to and forming part of the Financial Statements

for the Year Ended 30 June 2002

		2001/02 Actual	2001/02 Budget	Variance Actual to Budget	Variance Actual to Budget	2000/01 Actual	Variance Actual to Actual	Variance Actual to Actual
	Notes	\$'000	\$'000	\$'000	%	\$'000	\$'000	%
EXPENSES FROM ORDINARY ACTIVITIES								
Superannuation Benefits								
- Pension		221,315	226,942	(5,627)	(2)	218,735	2,580	1
- Gold State Super Scheme	(vi)	211,070	232,002	(20,932)	(9)	314,323	(103,253)	(33)
- West State Super Scheme	(vii)	77,319	114,790	(37,471)	(33)	86,994	(9,675)	(11)
Administration Expenses	(viii)	19,473	21,944	(2,471)	(11)	18,121	1,352	7
Loan Interest	(ix)	41,841	42,587	(746)	(2)	2,567	39,274	1,530
Changes in Net Market Values								
Other Assets	(x)	4,297	6,217	(1,920)	(31)	3,848	449	12
Total Expenses from Ordinary Activities		575,315	644,482	(69,167)	(11)	644,588	(69,273)	(11)
OPERATING RESULT FOR THE YEAR		77,971	386,982	(309,011)	(80)	156,375	(78,405)	(50)

NOTES TO THE EXPLANATORY STATEMENT

The following notes are supplied only where a variance from Budget or prior year's Actuals is greater than 10%, is material and/or deemed significant in the context of the operations of the Board.

(i) Investment Income

Income from investments was \$365.9m (-147%) lower than budget, and \$174.6m (-307%) lower than that achieved in 2000/2001. This was the result of the adverse economic conditions experienced in the Australian and Overseas capital markets. Full investment income details are contained in Note 2 of these Statements.

(ii) Investment Expenses

Investment expenses were \$1.3m (-15%) below budget but were \$0.7m (11%) higher than in 2000/2001.

This was due to higher payments to external fund managers and custody fees in 2001/2002 than in 2000/2001, and the reclassification of certain administration costs. Efficiency measures brought the actual cost for 2001/2002 below budget.

(iii) Employer Contributions (GSS) Scheme

The GSS Scheme was closed to new members with effect from December 1995. The decrease in GSS employer contributions in comparison to 2000/2001 figures was attributable to a decrease in membership numbers. The decrease in GSS employer contributions in comparison to budget estimates was due to a higher than expected number of retirements, resignations, deaths and the continuing transfer of members to new employer schemes established by a number of larger employing authorities.

NOTES to and forming part of the Financial Statements

for the Year Ended 30 June 2002

(iv) Employer Contributions (WSS) Scheme

WSS Employer contributions were \$37.5m (17%) higher than achieved in 2000/2001. This was due to an increase in membership and general increases in salary levels.

(v) Inward Transfer from Other Funds

The higher than expected Inward Transfer from Other Funds when compared to budget and when compared with 2000/2001 is the result of the introduction of Member Investment Choice.

(vi) Benefit Payments – GSS Scheme

The decrease of \$103.3m or 33% in GSS benefit payments when compared with 2000/2001 was due to a larger than normal number of members exiting the GSS in the 2000/2001 financial year due to the privatisation of Westrail and Alinta Gas.

(vii) Benefit Payments – WSS Schemes

The decrease of \$9.8m or 11% decrease in WSS benefit payments when compared with 2000/2001 was due to a larger than normal number of members exiting the WSS in the 2000/2001 financial year and privatisation of Westrail and Alinta Gas. The lower than expected amount of WSS benefit payments when compared to budget was due to the lower than expected number of retirements, resignations, deaths and retrenchments.

(viii) Administration Expenses

A full comparison of administration expenses to Budget and 2000/2001 actuals is detailed in Note 9 to these Statements.

(ix) Interest on Loan

When compared to 2000/2001 the interest on the loan from WATC was higher by \$39.2m. This was due to the payment of interest for a full year in 2001/2002 and the payment of interest for 15 days in 2000/2001.

(x) Changes in Net Market Value of Other Assets

The changes in net market value of other assets were lower than budget by \$1.9m due to a lower rate of provision for depreciation of software developed in house. The rate of depreciation was reduced from 33% on prime cost to 20% on prime cost.

Note 23 Segment Information

Primary reporting - Business Segments.

The business segments of the Board are organised into the following superannuation schemes.

Pension Scheme – a superannuation scheme providing pension benefits to member. The Scheme was established under the Superannuation and Family Benefits Act 1938 and continued under the State Superannuation Act 2000. This scheme was closed to new members effective from 15 August 1986.

Gold State Super (GSS) – a superannuation scheme providing lump sum benefit to members on a defined benefit basis. The Scheme was established under the Government Employees Superannuation Act 1987 and continued under the State Superannuation Act 2000. This scheme was closed to new members effective from 29 December 1995.

West State Super (WSS) – a superannuation scheme providing lump sum benefits to member on a defined contribution basis and in accordance with the Commonwealth Government's Superannuation Guarantee (SG) legislation. The Scheme was established under the Government Employees Superannuation Act 1987 and continued under the State Superannuation Act 2000. This scheme is open to new members.

Retirement Products – post retirement superannuation schemes providing members with access to retirement benefits by way of periodic draw downs or regular income streams. Retirement products were established under the State Superannuation Act 2000 and are available to members of the GSS, WSS and Pension schemes.

STATEMENT OF CHANGES IN NET ASSETS

	Pension Scheme \$'000	GSS \$'000	WSS \$'000	Retirement Products \$'000	TOTAL \$'000
2002					
NET ASSETS AVAILABLE TO PAY BENEFITS AT THE BEGINNING OF THE YEAR	117,663	1,528,868	662,857	-	2,309,388
REVENUE FROM ORDINARY ACTIVITIES					
Investment Income	(5,229)	(67,356)	(52,246)	-	(124,831)
Superannuation Income					
Contributions					
Employee	3,200	67,733	42,939	-	113,872
Employer	210,952	164,768	255,800	-	631,520
Inward Transfer from Other Funds	-	7	32,449	-	32,456
Other Income	-	269	-	-	269
Total Revenue From Ordinary Activities	208,923	165,421	278,942	-	653,286

NOTES to and forming part of the Financial Statements

for the Year Ended 30 June 2002

2002	Pension Scheme \$'000	GSS \$'000	WSS \$'000	Retirement Products \$'000	TOTAL \$'000
EXPENSES FROM ORDINARY ACTIVITIES					
Superannuation benefits	221,315	211,070	77,319	-	509,704
Administration Expenses and Changes in Net Market Values Other Assets	1,551	9,661	12,307	251	23,770
Loan Interest	-	-	41,841	-	41,841
Total Expenses from Ordinary Activities	222,866	220,731	131,467	251	575,315
OPERATING RESULT FOR THE YEAR	(13,943)	(55,310)	147,475	(251)	77,971
NET ASSETS AVAILABLE TO PAY BENEFITS AT THE END OF THE YEAR	<u>103,720</u>	<u>1,473,558</u>	<u>810,332</u>	<u>(251)</u>	<u>2,387,359</u>
STATEMENT OF NET ASSETS					
2002	Pension Scheme \$'000	GSS \$'000	WSS \$'000	Retirement Products \$'000	TOTAL \$'000
Investment Assets	102,758	1,464,415	1,442,296	-	3,009,469
Other Assets	7,753	29,526	3,276	-	40,555
TOTAL ASSETS	110,511	1,493,941	1,445,572	-	3,050,024
TOTAL LIABILITIES	6,791	20,383	635,240	251	662,665
NET ASSETS	<u>103,720</u>	<u>1,473,558</u>	<u>810,332</u>	<u>(251)</u>	<u>2,387,359</u>

NOTES to and forming part of the Financial Statements

for the Year Ended 30 June 2002

STATEMENT OF CHANGES IN NET ASSETS

2002	Pension Scheme \$'000	GSS \$'000	WSS \$'000	Retirement Products \$'000	TOTAL \$'000
NET ASSETS AVAILABLE TO PAY BENEFITS AT THE BEGINNING OF THE YEAR	127,596	1,558,030	467,387	-	2,153,013
REVENUE FROM ORDINARY ACTIVITIES					
Investment Income	2,693	20,762	27,049	-	50,504
Superannuation Income Contributions					
Employee	2,616	69,446	38,765	-	110,827
Employer	205,049	203,905	218,255	-	627,209
Inward Transfer from Other Funds	-	-	12,143	-	12,143
Other Income	-	280	-	-	280
Total Revenue From Ordinary Activities	210,358	294,393	296,212	-	800,963
EXPENSES FROM ORDINARY ACTIVITIES					
Superannuation benefits	218,735	314,323	86,994	-	620,052
Administration Expenses and Changes in Net Market Values Other Assets	1,556	9,232	11,181	-	21,969
Loan Interest	-	-	2,567	-	2,567
Total Expenses from Ordinary Activities	220,291	323,555	100,742	-	644,588
OPERATING RESULT FOR THE YEAR	(9,933)	(29,162)	195,470	-	156,375
NET ASSETS AVAILABLE TO PAY BENEFITS AT THE END OF THE YEAR	117,663	1,528,868	662,857	-	2,309,388

NOTES to and forming part of the Financial Statements

for the Year Ended 30 June 2002

2002	Pension Scheme \$'000	GSS \$'000	WSS \$'000	Retirement Products \$'000	TOTAL \$'000
STATEMENT OF ASSETS					
Investment Assets	117,027	1,523,270	1,272,346	-	2,912,643
Other Assets	11,138	12,689	30,980	-	54,807
TOTAL ASSETS	128,165	1,535,959	1,303,326	-	2,967,450
TOTAL LIABILITIES	10,502	7,091	640,469	-	658,062
NET ASSETS	117,663	1,528,868	662,857	-	2,309,388

Secondary reporting - Geographical Segments.

The fund operates in a single geographical segment, namely the provision of superannuation benefits in Australia. Details of the funds investment exposure to overseas markets are set out in Note 3(e) above.

NOTES TO AND FORMING PART OF THE SEGMENT INFORMATION.

Accounting policy

Segment information is prepared in conformity with the accounting policies of the entity as disclosed in Note 1 and the revised segment reporting accounting standard, AASB 1005 Segment Reporting, which has been applied for the first time in the year ended 30 June 2002. The business segments identified in the primary reporting disclosures are different to the prior year, as in the prior year the fund was considered to operate in a single industry segment under the previous version of AAS 16 Financial Reporting by Segments.

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, property, plant and equipment, net of related provisions. While most of these assets can be directly attributable to individual segments, the carrying amounts of certain assets used jointly by segments are allocated based on reasonable estimates of usage. Segment liabilities consist primarily of trade and other creditors, employee entitlements and provisions.

NOTES to and forming part of the Financial Statements

for the Year Ended 30 June 2002

In accordance with Clause 63 of Australian Accounting Standard AAS 25, the following information is provided in the Actuarial Report on the latest investigation as to the state and sufficiency of the Fund.

The valuation was undertaken in accordance with Section 17 of the State Superannuation Act 2000 (formerly Section 11 of the Government Employees Superannuation Act 1987 and Section 30 of the Superannuation and Family Benefits Act 1938).

(1) Effective date of the latest Actuarial Investigation

The effective date of the latest valuation was 30 June 2002.

(2) Name and Qualification of Actuary

The valuation of funded liabilities was undertaken by the Board's actuary, Mercer Human Resource Consulting Pty Ltd. The valuation of unfunded accrued liabilities was performed by PricewaterhouseCoopers on behalf of the Treasury Department.

(3) Relationship of Market Value of Net Assets to Vested Benefits

	Gold State Super Scheme \$'000	West State Super Scheme \$'000	Pension Scheme \$'000	Total \$'000
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Gross Vested Benefits	3,527,997	1,431,578	2,323,928	7,283,503
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The liability for vested benefits of the Fund related to funded liabilities as at 30 June 2002 may be compared to the net assets of the Fund at the reporting date for the purpose of considering the financial position of the Fund. These values are as follows:

	Gold State Super Scheme \$'000	West State Super Scheme \$'000	Pension Scheme \$'000	Total \$'000
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Vested Benefits Related Funded Liabilities	1,402,026	812,058	101,372	2,315,456
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For the purpose of the actuarial valuation, the Market Value of Net Fund Assets was apportioned between the schemes as follows:

	Gold State Super Scheme \$'000	West State Super Scheme \$'000	Pension Scheme \$'000	Retirement Products \$'000	Total \$'000
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Apportionment of Market Value of Net Assets	1,473,558	810,332	103,720	(251)	2,387,359
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NOTES to and forming part of the Financial Statements

for the Year Ended 30 June 2002

(4) Financial Condition of each Scheme as at 30 June 2002

The Board's actuary reported that in respect of funded liabilities: -

(a) Pension Scheme

The valuation showed that the funded portion of the Pension Scheme had sufficient assets to cover the expected actuarial value of current liabilities, but the amount available for investment fluctuation and mortality reserves was below target levels, due to adverse market conditions. Accordingly, no surplus was available for transfer to the Indexation Account.

The Actuary recommended that the level of contributions made by members be unaltered and that there was no requirement to alter the proportion payable by the State in respect of any pension.

(b) Gold State Super Scheme

The Actuary reported that the Scheme was in a satisfactory financial position in respect of both accrued liabilities and those expected to arise in respect of future contributory service. Investment fluctuation reserves have been reduced below target levels by adverse market conditions.

The Actuary recommended that the existing Employer funding levels be retained.

(c) West State Super Scheme

The Actuary reported that the value of Scheme assets exceeded the value of vested benefits at 30 June 2002, including the minimum benefit guarantee applicable in respect of benefits as at 30 June 2002. It is expected that the value of this guarantee will reduce significantly in the short term as contributions are made for active members, but it is likely to remain significant for deferred members for some years. Over the long term, the assets should be sufficient to meet the benefits from the Scheme as they fall due.

(5) Reserves

The basis of valuation of accrued benefits is on a "best estimate" basis.

In addition to the above funded liabilities, the actuary recommended that the schemes maintain explicit reserves against investment fluctuations, mortality deterioration and insurance claims as set out below.

NOTES to and forming part of the Financial Statements

for the Year Ended 30 June 2002

	Gold State Super		West State Super		Pension Scheme		Total	
	2002	2001	2002	2001	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Minimum Benefit								
Guarantee Reserve	–	–	42,334	46,000	–	–	42,334	46,000
Loan Interest Accrual Reserve	–	–	(8,739)	–	–	–	(8,739)	–
Investment Fluctuation Reserve	66,000	253,000	–	–	3,000	14,000	69,000	267,000
Mortality Deterioration Reserve	–	–	–	–	–	10,000	–	10,000
Insurance Claim Reserve	5,000	5,000	5,000	5,000	–	–	10,000	10,000
Total Reserves	71,000	258,000	38,595	51,000	3,000	24,000	112,595	333,000
As at 30 June 2002								

Auditor's opinion

To the Parliament of Western Australia

GOVERNMENT EMPLOYEES SUPERANNUATION BOARD

FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2002

Matters Relating to the Electronic Presentation of the Audited Financial Statements

This audit opinion relates to the financial statements of the Government Employees Superannuation Board for the year ended 30 June, 2002 included on the Government Employees Superannuation Board's web site. The Board is responsible for the integrity of the Government Employees Superannuation Board's web site. I have not been engaged to report on the integrity of the Government Employees Superannuation Board's web site. The audit opinion refers only to the statements named below. It does not provide an opinion on any other information which may have been hyperlinked to or from these statements. If users of this opinion are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the audited financial statements to confirm the information included in the audited financial statements presented on this web site.

Scope

I have audited the accounts and financial statements of the Government Employees Superannuation Board for the year ended June 30, 2002 under the provisions of the Financial Administration and Audit Act 1985.

The Board is responsible for keeping proper accounts and maintaining adequate systems of internal control, preparing and presenting the financial statements, and complying with the Act and other relevant written law. The primary responsibility for the detection, investigation and prevention of irregularities rests with the Board.

My audit was performed in accordance with section 79 of the Act to form an opinion based on a reasonable level of assurance. The audit procedures included examining, on a test basis, the controls exercised by the Board to ensure financial regularity in accordance with legislative provisions, evidence to provide reasonable assurance that the amounts and other disclosures in the financial statements are free of material misstatement and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and the Treasurer's Instructions so as to present a view which is consistent with my understanding of the Board's net assets and changes in net assets.

The audit opinion expressed below has been formed on the above basis.

Qualification

As indicated in Note 1(b) to the financial statements, the Board on behalf of the Department of Treasury and Finance collected payments equivalent to Gold State Superannuation contributions from unfunded agencies and remitted these to the Department of Treasury and Finance. The Board also made payments in respect to the administration of the Parliamentary Superannuation Scheme and Judges' Pensions and recouped these from the Department of Treasury and Finance.

Legal advice is that the State Superannuation Act 2000 does not permit the Board to receive or make payments of this nature into or from the Government Employees Superannuation Fund.

Government Employees Superannuation Board
Financial statements for the year ended June 30, 2002

Audit Opinion

In my opinion,

- (i) except for the effects of the matter referred to in the qualification, the controls exercised by the Government Employees Superannuation Board provide reasonable assurance that the receipt, expenditure and investment of moneys and the acquisition and disposal of property and the incurring of liabilities have been in accordance with legislative provisions; and
- (ii) the Statement of Changes in Net Assets, the Statement of Net Assets and the Notes to and forming part of the financial statements are based on proper accounts and present fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia and the Treasurer's Instructions the net assets of the Board at June 30, 2002 and the changes in net assets for the year then ended.



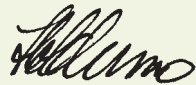
D D R PEARSON
AUDITOR GENERAL
November 1, 2002

Performance indicators 2001-02

Certification of the performance indicators

We hereby submit the performance indicators of the Government Employees Superannuation Board to provide a measure of the Board's effectiveness and efficiency in achieving its outcome.

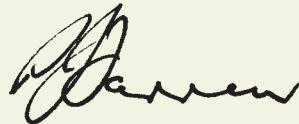
In our opinion the key effectiveness and efficiency indicators are based on proper records, are relevant and appropriate and fairly represent the performance of the Government Employees Superannuation Board for the financial year ending 30 June 2002.



F E HARRIS

Chairman

31 October 2002



P J FARRELL

Director

31 October 2002

Key performance indicators

The key performance indicators in this report are produced in order to evaluate the GESB's performance in achieving the Government outcome. Included are key effectiveness and efficiency performance indicators required by the *Financial Administration and Audit Act 1985*. The key effectiveness indicators provide information on the extent to which the Government desired outcome has been achieved through the funding and production of agreed outputs. The key efficiency indicators relate outputs to the level of resource inputs required to produce them. The key performance indicators are audited by the Office of the Auditor General.

Appendix 3 includes other relevant measures that provide an overview of the GESB's performance during 2001/2002.

A comprehensive Performance Management System has been established that enables ongoing monitoring of performance. The indicators that follow measure GESB's success in delivering 'best practice' in terms of products and services, in response to meeting the superannuation needs of our members.

Government desired outcome

The State Superannuation Act 2000 indicates that the 'government desired outcome' for the GESB is as follows:

"The Government Employees Superannuation Fund and Schemes are managed in the best interests of members"

In achieving the desired outcome, the GESB aims to deliver to its members a range of competitive products that are attractive and relevant and to provide members with a level of customer service that exceeds their expectations. The following key performance indicators measure the effectiveness of the GESB in achieving the above outcome.

Effectiveness indicators

Through ongoing research, the GESB is working closely with its stakeholders to deliver improvements in superannuation products and services.

For the past two years, the GESB has undertaken extensive strategic research among its members. The research is to monitor the changes in attitudes and perceptions of its members towards the GESB and the attractiveness and relevance of its products in terms of product offering, fees and charges, investment returns and customer service. The surveys have been conducted by an independent research agency.

In 2001/02 the research agency was provided a random sample of members and their contact details from a population size of 139,499 active members. A sample of 587 members were contacted and asked to participate in the survey. 508 members completed the survey representing a response rate of 86.5%.

The sample of size of 508 ensured that the results were representative and stable and provided an excellent basis for segmentation. This sample provides an accuracy of $\pm 5\%$ at the 95% level of significance.

Sample Member Survey	Accuracy at the 95% Confidence Level
2000/01: 516	$\pm 5\%$
2001/02: 508	$\pm 5\%$

The questionnaires were designed to provide as much comparison with the benchmark surveys as possible while meeting the objectives of the follow-up surveys.

1. Members' overall satisfaction with the GESB

	2000/01	2001/02	2001/02 Target	2002/03 Target
Overall	48.1%	61.9%	51%	63%
West State Super Members	44.3%	59.6%		
Gold State Super Members	67.7%	74.3%		

No targets have been set for the above individual categories.

Members' overall satisfaction is measured annually through a quantitative survey of Gold State Super and West State Super members.

Members Overall satisfaction with the GESB increased significantly from 48.1% in 2000/01 to 61.9% in 2001/02. Overall satisfaction by West State Super members has significantly increased from 44.3% to 59.6%. The significant increase in member satisfaction can be attributed to a combination of factors such as the introduction of Member Investment Choice and improved communication with members.

Gold State Super members have increased their satisfaction levels from 67.7% to 74.3%. Similar to last year's results, Gold State Super members are significantly more satisfied with the GESB than West State Super members.

A number of factors have contributed to higher GSS satisfaction levels than WSS. These include higher levels of employer contributions, a contributory scheme which members elected to join, and hence they have a greater awareness of their superannuation and perceive it as being of value. GSS is also a defined benefit scheme with higher levels of accrued benefits and no investment risk for members. In volatile market conditions these characteristics mean less uncertainty for members with regard to their retirement savings.

2. Proportion of members who value their relationship with the GESB

Rating 7 or more out of 10	2000/01	2001/02	2001/02 Target	2002/03 Target
Overall	33.1%	42.2%	35%	44%
West State Super Members	27.2%	38.1%		
Gold State Super Members	63.9%	63.9%		

Average Score out of 10	2000/01	2001/02
Overall	5.3	5.9
West State Super Members	5.1	5.6
Gold State Super Members	6.7	7.1

No targets have been set for the above individual categories.

The value placed on member relationships with the GESB has increased since last year especially among West State Super members with 38.1% indicating a score of 7 or more. Gold State Super members (63.9%) still value their relationship significantly higher than do West State Super members. The average score members gave for the value of their relationship with the GESB increased significantly to 5.9 from the previous year.

The significant increase in the value placed on member's relationship with the GESB can be attributed to the increased frequency in statement mail-outs to bi-annually, the Hands on Investor magazine and an increase in the number of seminars conducted at member workplaces.

3. Investment performance compared to Benchmarks

The financial returns on members funds is one of a number of key factors in determining the attractiveness of products to members. Through Member Investment Choice, West State Super members are able to take control of their own financial future by deciding on the level of risk and return that meets their individual superannuation needs.

Introduction of the Member Investment Choice (MIC) initiative on 1 July 2001 has necessitated a change in the way that investment returns are presented. The total funds under management are now managed under multiple asset allocation strategies reflecting the nine MIC investment plans within the West State Super scheme, as well as a separate and common investment strategy for the Gold State Super and Pension defined benefit schemes.

The following indicator shows the performance of the various asset classes compared to established industry benchmarks.

Performance across the sectors generally matched or exceeded the respective benchmark returns for the year.

Sector	Benchmark	2000/01 GESB Return	2001/02 GESB Return	2001/02 Benchmark Return
Cash / Liquidity	UBS Warburg Australian Bank Bill Index	6.13%	4.68%	4.66%
Fixed Interest	UBS Warburg Composite All Maturities	6.37%	6.60%	6.21%
Indexed Bonds	Australian Inflation Linked Bond SBC Index	7.98%	7.21%	7.24%
Direct Property	AMP Balanced Property Index	10.04%	9.43%	8.29%
Australian Equities	S&P ASX300 Accumulation Index	11.54%	-4.39%	-4.54%
International Equities	International Equity Benchmark	-10.33%	-18.72%	-19.64%
Listed Property	S&P ASX300 Property Accumulation Index	N/A	14.94%	15.26%
Total Fund	N/A	2.24%	-3.92%	N/A

MIC Plan	Benchmark	2001/02 GESB Return	2001/02 Benchmark Return
Balanced Plan	Notional Return on Benchmark Allocation	-2.55%	-3.19%
Growth Plan	Notional Return on Benchmark Allocation	-5.67%	-6.37%
Conservative Plan	Notional Return on Benchmark Allocation	2.03%	1.51%
Cash Plan	UBSWA Bank Bill Index	4.50%	4.66%
My Plan – Fixed Interest	Notional Return on Benchmark Allocation	6.70%	6.18%
My Plan – Inflation Linked Bonds	Notional Return on Benchmark Allocation	7.30%	7.21%
My Plan – Australian Equities	Notional Return on Benchmark Allocation	-3.69%	-4.35%
My Plan – International Equities	Notional Return on Benchmark Allocation	-18.08%	-19.20%
My Plan – Listed Properties	Notional Return on Benchmark Allocation	15.15%	15.02%

Note: Benchmark performance for the above plans is weighted by the appropriate strategic asset allocations of the relevant plan.

The effectiveness of the GESB in being able to deliver appropriate investment performance is through returns to members in excess of the benchmark. In the first year of Member Investment Choice, 8 out of the 9 Plans met or exceeded the benchmark.

Within the West State Super scheme, the MIC Balanced Plan (the plan adopted by the great majority of members) produced a return of -2.55% against the benchmark return of -3.19%. The return also compares very favourably to a survey of leading industry peer funds that produced a median return of -4.1%¹. As such, the scheme's return is considered a commendable outcome in a difficult year for world financial markets.

The asset allocation strategy for the Gold State Super and Pension schemes is identical to that of the total fund prior to 1 July 2001. Accordingly, for the purposes of continuity of investment return history, the Gold State Super and Pension schemes return carries forward from the total fund return.

On a rolling three- year basis, the Gold State Super and Pension schemes achieved a return of 3.63% pa, exceeding the benchmark of 2.65% pa. Although under performing the target real return benchmark of 8.01%, this portfolio outperformed its nominal benchmark by 0.98% per annum over the past three years.

1. Mercer Pooled Funds Survey – June 2002

Output 1

A range of competitive products that are attractive and relevant to GESB's Clients.

Efficiency indicators

Research with members has indicated that financial benefits through low fees and charges is a key factor in determining attractiveness with the products and services. The GESB measures its efficiency in delivering these to its members at the lowest cost through the following performance indicators.

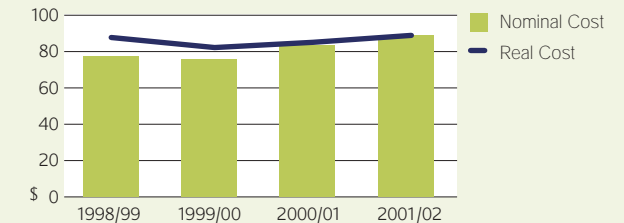
1.1 Average cost per member of administering West State Super, Gold State Super and the Pension Scheme

This indicator measures the cost of administering the schemes including contribution collection (from employer agencies and members), membership maintenance, benefit payments, and responding to members' enquiries. A proportion of salary and other costs for all the GESB's staff has been incorporated to accurately reflect the true cost of scheme administration.

The average cost of administering the schemes per member for the 2001/02 financial year was \$88.92, an increase of \$5.77 over the previous year. The increase is due to significant member and employer initiatives undertaken during the year aimed at providing a better quality and timely service.

Taking inflation into account, the real cost of administering the schemes has risen only marginally. Since 1998/99 the real increase is \$2.51 per member.

	1998/99	1999/00	2000/01	2001/02	2001/02 Target	2002/03 Target
Nominal Cost	\$77.55	\$75.74	\$83.15	\$88.92	\$82.00	\$82.00
Real Cost	\$86.41	\$82.22	\$85.18	\$88.92	\$82.00	



1.2 Investment management cost per dollar invested as a percentage of portfolio mean value (Management Expense Ratio)

The total investment portfolio was valued at \$3 billion as at 30 June 2002. Specialist external investment managers have been appointed to invest funds in specific asset classes. Both internal and external management costs have been included in measuring this indicator.

The investment management costs per dollar invested as a percentage of the portfolio mean decreased to 0.28%. The significant improvement over the previous year (0.33%) is a result of tighter cost management and cost cutting measures.

	1999/00	2000/01	2001/02	2001/02 Target	2002/03 Target
Investment management cost per dollar invested as a percentage of portfolio mean value (MER)	0.26%	0.33%	0.28%	0.30%	0.30%

Output 2 Client-focused service.

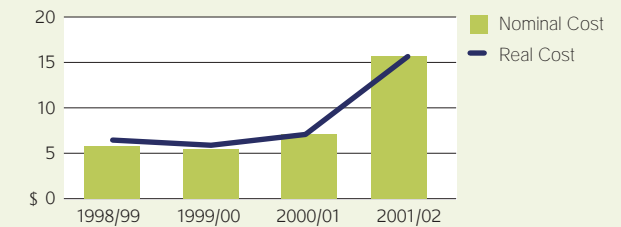
Efficiency indicators

Member communication plays an important role in keeping members informed regarding their funds and on superannuation matters. Keeping members informed at the lowest cost has flow-on benefits to members through lower fees and charges. Efficiency in providing information services is measured through the following performance indicator.

2.1 Cost per member for the provision of information

The cost for the provision of information increased significantly over the previous year to \$15.65 per member. The increase is a result of targeted initiatives, involving additional resources, to further develop the customer relationship with members and employer agencies. Specifically, through additional statements, brochures and other information including investment updates.

	1998/99	1999/00	2000/01	2001/02	2001/02 Target	2002/03 Target
Nominal Cost	\$5.79	\$5.42	\$7.07	\$15.65	\$7.50	\$7.50
Real Cost	\$6.45	\$5.88	\$7.25	\$15.65	\$7.50	



Auditor's Opinion

To the Parliament of Western Australia

GOVERNMENT EMPLOYEES SUPERANNUATION BOARD

PERFORMANCE INDICATORS FOR THE YEAR ENDED JUNE 30, 2002

Matters Relating to the Electronic Presentation of the Audited Performance Indicators

This audit opinion relates to the performance indicators of the Government Employees Superannuation Board for the year ended 30 June, 2002 included on the Government Employees Superannuation Board's web site. The Board is responsible for the integrity of the Government Employees Superannuation Board's web site. I have not been engaged to report on the integrity of the Government Employees Superannuation Board's web site. The audit opinion refers only to the performance indicators named below. It does not provide an opinion on any other information which may have been hyperlinked to or from these performance indicators. If users of this opinion are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the audited performance indicators to confirm the information included in the audited performance indicators presented on this web site.

Scope

I have audited the key effectiveness and efficiency performance indicators of the Government Employees Superannuation Board for the year ended June 30, 2002 under the provisions of the Financial Administration and Audit Act 1985.

The Board is responsible for developing and maintaining proper records and systems for preparing and presenting performance indicators. I have conducted an audit of the key performance indicators in order to express an opinion on them to the Parliament as required by the Act. No opinion is expressed on the output measures of quantity, quality, timeliness and cost.

My audit was performed in accordance with section 79 of the Act to form an opinion based on a reasonable level of assurance. The audit procedures included examining, or a test basis, evidence supporting the amounts and other disclosures in the performance indicators, and assessing the relevance and appropriateness of the performance indicators in assisting users to assess the Board's performance. These procedures have been undertaken to form an opinion as to whether, in all material respects, the performance indicators are relevant and appropriate having regard to their purpose and fairly represent the indicated performance.

The audit opinion expressed below has been formed on the above basis.

Audit Opinion

In my opinion, the key effectiveness and efficiency performance indicators of the Government Employees Superannuation Board are relevant and appropriate for assisting users to assess the Board's performance and fairly represent the indicated performance for the year ended June 30, 2002.



D D R PEARSON

AUDITOR GENERAL

November 1, 2002

Appendices

1. Schemes Design
2. Investment Schedules
3. Outcomes, Outputs and Performance
4. Legislation Administered
5. 2002/2003 Budget Estimates

Appendix 1

Schemes design

The Board administers three superannuation schemes – West State Super, Gold State Super and the Pension Scheme. The GES Fund is an untaxed fund for the purpose of assessing the tax due on benefits paid.

The rules of West State Super and Gold State Super are contained in the *State Superannuation Act 2000* and *State Superannuation Regulations 2001*. The rules of the Pension Scheme are still contained in the repealed *Superannuation and Family Benefits Act 1938*. The provisions of this Act are deemed to be continued as part of the regulations.

West State Super

West State Super is an accumulation style scheme that was established with effect from 1 July 1992 to comply with the provisions of the Commonwealth's Superannuation Guarantee (Administration) Act 1992.

Earnings are credited to a member's account according to the investment strategy they have chosen, from a range of four ready-made and one 'make your own' investment plans. The member may apply to change their choice of strategy at any time at no additional cost. Administration and insurance fees are deducted from the member's account.

Membership

There are two categories of membership in West State Super – statutory and voluntary. With a few exceptions, all new employees joining the Western Australian State Public Sector are automatically statutory members. Members of Gold State Super and the Pension Scheme may become voluntary members of West State Super.

Contributions

The compulsory (statutory) employer contribution to West State Super is in line with the Commonwealth's Superannuation Guarantee (SG) requirements, currently 8% of salary and rising to the maximum level of 9% as from 1 July 2002. Members can make additional (voluntary) contributions to the scheme.

Benefits

On retirement from age 55 years, a member is entitled to a lump sum benefit of an amount equal to their account balance.

Note: A member is guaranteed to receive the higher of either their account balance at retirement, or the equivalent of their account balance at 30 June 2001, indexed at the rate of the Perth Consumer Price Index (CPI) plus two per cent per annum until retirement date.

An additional insured benefit is payable if a member dies or becomes permanently disabled while working, prior to age 60 years.

Portability/Preservation

If a member ceases State Government employment before age 55 years, their benefit will generally be preserved in the Fund. Alternatively, a preserved benefit can be rolled over to another approved superannuation fund. However, the Board may require a waiting period of up to 12 months before transferring the benefit.

Preserved benefits can be paid before age 55 years if the member dies or becomes permanently disabled. West State Super members may roll over superannuation benefits from other superannuation funds into the GES Fund.

Insurance

Statutory members receive automatic death and disability cover up to age 60 years. Insurance premiums are based on the member's age, gender and remuneration, and are deducted from the member's account.

The insured benefit for a member is based on the number of years remaining to age 60, their average salary over the previous two years (Final Remuneration) and the SG rate. If the member is partially disabled the insured component is reduced in proportion to their assessed future earning capacity. Insurance cover ceases when a member ceases employment. There is no insurance cover in respect of voluntary contributions.

Gold State Super

Gold State Super is a defined benefit, lump sum scheme in which benefits are expressed as a multiple of salary.

Membership

The scheme closed to new members from 30 December 1995. Members include persons who have transferred from the Pension Scheme.

Contributions

The standard member contribution is 5% of salary. This rate can be varied between 3% and 7%, however the average contribution rate cannot exceed 5%. Contributions may be paid under a salary sacrifice arrangement.

Members are able to suspend contributions during periods of recognised unpaid leave such as parental leave and sick leave. Any insured cover above Minimum lapses while a member is on a period of unrecognised unpaid leave for three months or more, but may be maintained if an insurance premium is paid.

Benefits

A Gold State Super Contributory Service Benefit is equal to twenty per cent of the member's final remuneration, for each year of full time equivalent service, assuming a 5% average contribution rate. A proportional lower benefit is payable if the average contribution rate is less than 5%. An additional insured benefit is payable if a member dies or becomes permanently disabled prior to age 60 years.

Portability/Preservation

If a member ceases State Government employment before age 55 years, their benefit will generally be preserved in the Fund and indexed at the Perth CPI rate plus 1% each year.

Preserved benefits are generally payable at age 55 years, or later retirement from the State Public Sector, but can be paid earlier if a member dies or becomes permanently disabled. Members under 55 may transfer preserved benefits to another fund in cases of retrenchment or voluntary severance, transfer to the private sector, the member's work position is taken over by the Commonwealth Government, or they join their employer's approved alternative scheme. A discount is applied to any transferred benefit to reflect its present value.

Insurance

Gold State Super provides three levels of death and disability cover, Standard, Limited and Minimum. Insured benefits are payable if a member dies or ceases work due to a permanent disability. A medical examination is required for a member to be eligible for Standard or Limited insured cover.

Standard Cover provides maximum cover, that is, an insured benefit the equivalent of what they would have received if they had continued as a contributing member of Gold State Super to age 60 years.

Limited Cover provides the same insured benefit as Standard Cover except where the member's death or permanent disability is related to a condition for which a limitation was imposed, in which case the insured benefit is assessed as if they had Minimum cover.

Minimum Cover provides automatic cover to members where a medical examination has not been undertaken. The insured benefit is based on the current Superannuation Guarantee (SG) rate, the member's final remuneration and the length of future service to age 60 years.

If a member is permanently disabled from working in their usual job, but can undertake different employment, a partial and permanent disability benefit may be paid. The insured component of a disability benefit for members with Minimum cover is not based on the level of disablement.

Pension Scheme

The Pension Scheme is a salary linked, unit-based scheme in which the number of units purchased, length of service and final salary determine the benefit payable.

Membership

The Pension Scheme was closed to new members in 1986.

Contributions

Members nominate a retirement age of either 60 or 65 years, and this determines the cost of units. The maximum number of units for which a member may contribute is based on their salary. Additional units are allocated each year at the member's birthday if there has been an increase in salary. At age 60 years members can determine the value of their pension and make no further contributions. The pension is not payable until the member's eventual retirement.

Benefits

A lifetime fortnightly pension is generally payable on retirement on or after age 55 years, with the pension entitlement at this age set at approximately 45 per cent of the member's salary at the date of retirement. The maximum pension is approximately 60 per cent of final salary, if retirement occurs at the member's elected retiring age and provided other service requirements have been met. On retirement, members may elect to commute part of their pension entitlement to a lump sum. Pensions are indexed each April and October in line with any increases in the Perth CPI.

If a member resigns before attaining age 55 years, they are entitled to a benefit comprising a refund of personal contributions plus interest, plus an employer funded lump sum entitlement equivalent to that payable if they had been a member of West State Super since 1 July 1992.

Pension Scheme members who are retrenched or transferred to the private sector on or after 12 June 1995 and are under the age of 55, have the option of a pro rata pension payable from age 55 years. Alternatively, they may transfer to Gold State Super, where they will receive a lump sum benefit equal to twelve per cent of final salary for each year of their State Government service.

Insurance

If a member retires on invalidity grounds, a pension equal to that payable if they had retired at their elected retiring age, is paid. Commutation is not permitted with an Invalid Pension. On the death of a contributor, a pension equal to two thirds of the member's retirement pension is payable to their widow/er or de facto spouse.

Appendix 2

Investment Schedules

INVESTMENT PORTFOLIO COMPOSITION

Sector	\$M	2001 Total	%	\$M	2002 Total	%
Cash						
Externally Managed	114.3			96.6		
Treasury	15.3	129.6	4.4	11.6	108.2	3.6
Fixed Interest						
Internally Managed	13.8			10.7		
Externally Managed	459.7	473.5	16.3	496.7	507.4	16.8
Australian Equities						
Internally Managed	295.6			255.7		
Externally Managed	438.4	734.0	25.2	470.4	726.1	24.1
Offshore Equities						
Externally Managed	891.0	891.0	30.6	940.2	940.2	31.2
Indexed Bonds (Inflation linked)						
Internally Managed	257.9	257.9		0.0		
Externally Managed			8.9	276.0	276.0	9.2
Direct Property						
Internally Managed	303.7	303.7	10.4	310.4	310.4	10.4
Listed Property Securities						
Externally Managed	122.9	122.9	4.2	141.2	141.2	4.7
Total		2,912.6	100.0		3,009.5	100.0

Asset Allocation Variation

The table below presents the year-end asset allocations for each of the pre-determined West State Super MIC plans and Gold State Super/Pension schemes strategy relative to the strategic asset allocation (SAA).

Asset Class	GSS	Cash	Conservative	Balanced	Growth
Cash	3.3%	100.0%	2.0%	2.0%	2.0%
SAA	3.0%	100.0%	2.0%	2.0%	2.0%
Fixed Interest	6.5%	0.0%	61.6%	31.6%	16.7%
SAA	7.0%	0.0%	62.0%	30.0%	17.0%
Infl Linked Bonds	12.1%	0.0%	5.9%	5.9%	5.9%
SAA	10.0%	0.0%	6.0%	6.0%	6.0%
Aust'n Equities	27.5%	0.0%	10.1%	19.7%	25.0%
SAA	30.0%	0.0%	10.0%	20.0%	25.0%
Intl Equities	31.4%	0.0%	15.4%	30.5%	40.5%
SAA	35.0%	0.0%	15.0%	30.0%	40.0%
Direct Property	19.2%	0.0%	0.0%	0.0%	0.0%
SAA	15.0%	0.0%	0.0%	0.0%	0.0%
Listed Property	0.0%	0.0%	5.0%	10.3%	9.9%
SAA	0.0%	0.0%	5.0%	10.0%	10.0%
Growth/Defensive	80/20	0/100	30/70	60/40	75/25

The table below presents the year-end asset allocations for each of the MIC My Plan sector plans.

Asset Class	My Plan Fixed Interest	My Plan Inflation Linked Bonds	My Plan Australian Equities	My Plan International Equities	My Plan Property
Cash	2.0%	2.0%	2.0%	2.0%	2.0%
SAA	2.0%	2.0%	2.0%	2.0%	2.0%
Fixed Interest	98.0%	0.0%	0.0%	0.0%	0.0%
SAA	98.0%	0.0%	0.0%	0.0%	0.0%
Infl Linked Bonds	0.0%	98.0%	0.0%	0.0%	0.0%
SAA	0.0%	98.0%	0.0%	0.0%	0.0%
Aust'n Equities	0.0%	0.0%	98.0%	0.0%	0.0%
SAA	0.0%	0.0%	98.0%	0.0%	0.0%
Intl Equities	0.0%	0.0%	0.0%	98.0%	0.0%
SAA	0.0%	0.0%	0.0%	98.0%	0.0%
Listed Property	0.0%	0.0%	0.0%	0.0%	98.0%
SAA	0.0%	0.0%	0.0%	0.0%	98.0%

Funds under external Management

Manager	Type of	Net Market Value \$M	Proportion Portfolio(%)
Macquarie Investment Management Ltd	Cash	79.6	2.64
Western Australian Treasury	Cash	11.6	0.38
Super Members Home Loans	Cash	17.0	0.57
AMP Henderson Global Investors	Australian Equities	244.6	8.12
Portfolio Partners Ltd	Australian Equities	178.8	5.94
ING Investment Management Ltd	Australian Equities	46.9	1.56
State Street Global Advisors Aust Ltd	Overseas Equities	346.7	11.50
Schroder Investment Management Ltd	Overseas Equities	15.7	0.52
The Putnam Advisory Company, LLC	Overseas Equities	100.1	3.33
Alliance Capital Management Ltd *	Overseas Equities	198.9	6.61
Wellington Management Company, LLC	Overseas Equities	135.9	4.51
Fidelity International Limited	Overseas Equities	142.9	4.75
Credit Suisse Asset Management (Australia) Ltd	Fixed Interest	243.9	8.10
UBS Asset Management (Australia) Ltd	Fixed Interest	252.9	8.40
AMP Henderson Global Investors	Inflation Linked Securities	132.5	4.40
Credit Suisse Asset Management (Australia) Ltd	Inflation Linked Securities	143.5	4.77
Rothschild Australia Investment Mgt Ltd	Listed Property Securities	50.7	1.68
Deutsche Asset Management (Australia) Ltd	Listed Property Securities	90.5	3.01
Total		2,432.7	80.79

* formerly Sanford C. Bernstein and Co. Inc

Property holdings

Location	Type	Manager
Central Park	Commercial (CBD)	Jones Lang LaSalle
10 Kings Park Road	Commercial (non CBD)	Sullivan Commercial

Sector returns

Sector	1 Year		2 Years		3 Years	
	Board	Benchmark	Board	Benchmark	Board	Benchmark
Domestic Equities	(4.4)	(4.5)	3.3	2.1	7.7	5.8
Offshore Equities	(18.7)	(19.6)	(14.6)	(15.4)	(5.4)	(5.9)
Direct Property	9.4	8.3	9.7	9.2	10.0	9.4
Listed Property Securities	14.9	15.3				
Indexed Bonds	7.2	7.2	7.6	7.7	8.7	8.5
Fixed Interest	6.6	6.2	6.5	6.8	6.2	6.6
Cash	4.7	4.7	5.4	5.4	5.5	5.4

Benchmarks

Domestic Equities	S&P ASX 300 Accumulation Index
Offshore Equities	{ A composite of the regional portfolios ex Australia including emerging { markets 50% hedged in AUD.
Direct Property	AMP Balanced Property Units
Listed Property Securities	S&P/ASX 300 Property Trusts Accumulation index
Indexed Bonds	UBS Warburg Australian Inflation Linked Index
Fixed Interest	UBS Warburg Australian Composite Bond Index – All Maturities
Cash	UBS Warburg Australian Bank Bill Index

Appendix 3

Outcomes, outputs and performance information

GOVERNMENT DESIRED OUTCOME

The State Superannuation Act 2000 indicates that the ‘government desired outcome’ for the GESB is as follows:

“The Government Employees Superannuation Fund and Schemes are managed in the best interests of members”

GESB aims to meet the government desired outcome through two specific outputs, the results of which are detailed below:

Output 1:

A range of competitive products that are attractive and relevant to GESB’s clients.

Description:

GESB will develop a range of products that are attractive and competitive to clients in an environment of choice.

Measures:

	1999/00	2000/01	2001/02	2001/02 Target	2002/03 Target	Reason for significant variation
Quality Measures						
Member satisfaction with Scheme WSS	N/A	62.0%	72.6%	65.0%	68%	Significant increase mainly attributed to the introduction of MIC and targeted communication strategies.
Member satisfaction with Scheme GSS	N/A	85.5%	82.5%	88.0%	88%	Performance impacted by adverse financial market conditions and down turn in sectors of the world economy. The target measure is no longer relevant given the changes to reporting brought about by MIC.
Total Fund Investment Performance	13.84%	2.24%	-3.92%	N/A	N/A	
Quantity Measures						
Number of Products Administered	3	3	12	12	17	Introduction of MIC Plans
MIC Members by Plan (%)						
Balanced Plan	–	–	92.9%	N/A	N/A	
Conservative Plan	–	–	0.2%			
Growth Plan	–	–	5.5%			
Cash Plan	–	–	0.2%			
My Plan	–	–	1.2%			
Total Investment Portfolio	\$2.13 b	\$2.91b	\$3.00b	N/A	N/A	

Timeliness Measures

Products Delivered to Market on Time	100%	100%	100%	100%	100%
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Cost Measures

Administration Cost per Scheme Member	\$75.14	\$83.15	\$88.92	\$82.00	\$82.00
Scheme Administration Charge per Member (WSS)	\$58.35	\$59.40	\$59.76	\$59.80	\$59.80
MER	0.26%	0.33%	0.28%	0.3%	0.3%

Increase mainly attributed to additional initiatives targeted at member and employer agencies.

The significant improvement is a result of tighter cost management and cost cutting measures.

Output 2:

Client-Focussed Service.

Description:

Provide services that exceed client expectations and needs to cultivate client loyalty and satisfaction.

Measures:

	1999/00	2000/01	2001/02	2001/02 Target	2002/03 Target	Reason for significant variation
Quality Measures						
Member Satisfaction with GESB Service	74.0%	75.5%	78.5%	79.0%	79.0%	Significant improvement attributed to increased commitment to the development of employer relations.
Employer Satisfaction with GESB Service	81.0%	64.9%	88.1%	68.0%	68.0%	
Quantity Measures						
Number of Benefit Payments	12,856	14,925	12,595	N/A	N/A	
Number of Members	249,885	264,197	267,325	N/A	N/A	
Communication with Members						
Seminars Conducted	-	-	242	300	70	Although more types of seminars were conducted during this year , the previous year was dominated by the interest in the introduction of MIC.
Seminar Attendance	1,809	6,634	5,184	N/A	N/A	
Telephone Calls	68,750	78,731	80,379	N/A	N/A	
Correspondence Received	4,113	5,445	9,258	N/A	N/A	
Member Interviews	763	1,014	1,086	N/A	N/A	

	1999/00	2000/01	2001/02	2001/02 Target	2002/03 Target	Reason for significant variation
Communication with Employers						
On-Site Visits	11	185	369	200	210	Significant improvement attributed to increased commitment to the development of employer relations.
Briefings	5	16	15	21	21	
Briefing Attendance	450	524	575	N/A	N/A	
Timeliness Measures						
% of Claims Processed with 5 working days	-	84.1%	96.4%	95.0%	95.0%	
% of Telephone Calls Answered within 30 seconds	-	-	90.9%	85.0%	85.0%	
% of Correspondence Answered within 10 working days		-	81.0%	95.0%	95.0%	
Cost Measures						
Cost per member for provision of information	\$5.42	\$7.07	\$15.65	\$7.50	\$7.50	The increase is a result of targeted initiatives, involving additional resources, statements, brochures and other information including investment updates to further develop the customer relationship with members and employer agencies.

Appendix 4

Legislation Administered

Legislation Administered

- State Superannuation Act 2000
- State Superannuation Regulations

State Legislation Impacting on Activities

- Anti-Corruption Commission Act 1988
- Commercial Tenancy (Retail Shops) Agreement Act 1985
- Corporations (Western Australia) Act 1990
- Disability Services Act 1993
- Electoral Act 1907
- Equal Opportunity Act 1984
- Fair Trading Act 1987
- Financial Administration and Audit Act 1985
- Freedom of Information Act 1992
- Guardianship and Administration Act 1990
- Interpretation Act 1984
- Industrial Relations Act 1979
- Judges Salaries and Pensions Act 1950
- Library Board of Western Australia Act 1951
- Minimum Conditions of Employment Act 1993
- Occupational Health Safety and Welfare Act 1984
- Parliamentary Commissioner Act 1971
- Parliamentary Privileges Act 1891

- Parliamentary Superannuation Act 1970
- Public and Bank Holidays Act 1972
- Public Sector Management Act 1994
- Salaries and Allowances Act 1975
- State Supply Commission Act 1991
- State Trading Concerns Act 1916
- Statutory Corporations (Liability of Directors) Act 1996
- Workers' Compensation and Rehabilitation Act 1981
- Workplace Agreements Act 1993

Commonwealth Legislation Impacting on Activities

- Bankruptcy Act 1966
- Child Support (Registration and Collection) Act 1988
- Copyright Act 1968
- Family Law Act 1975
- Income Tax Assessment Act 1936
- Sex Discrimination Act 1984
- Superannuation Contributions Tax (Members of Constitutionally Protected Superannuation Funds) Assessment and Collection Act 1997
- Superannuation Contributions Tax (Members of Constitutionally Protected Superannuation Funds) Imposition Act 1997
- Superannuation Guarantee (Administration) Act 1992
- Superannuation Industry (Supervision) Act 1993
- Superannuation (Resolution of Complaints) Act 1993

Appendix 5

2002-2003 Budget Estimates

	2001/2002 Actual \$'000	2002/03 Budget Estimate \$'000	2003/04 Forward Estimate \$'000	2004/2005 Forward Estimate \$'000	2005/06 Forward Estimate \$'000
REVENUE FROM ORDINARY ACTIVITIES					
Investment Income					
Investment Income	(117,652)	275,983	314,881	359,787	397,718
Less: Investment Expenses	(7,179)	(8,842)	(9,088)	(9,341)	(9,577)
	(124,831)	267,141	305,793	350,446	388,140
Superannuation Income					
Contributions:					
Employee	113,872	105,713	105,212	104,711	104,210
Employer					
- Pension Scheme	210,952	219,042	221,792	224,545	227,292
- GSS Scheme	164,768	33,029	30,704	28,377	26,054
-WSS Scheme	255,801	481,658	527,360	573,161	618,878
Inward Transfer From Other funds	32,724	30,000	31,000	32,000	33,000
	778,117	869,442	916,068	962,794	1,009,434
Total Revenue from Ordinary Activities	653,286	1,136,583	1,221,862	1,313,240	1,397,574
EXPENSES FROM ORDINARY ACTIVITIES					
Superannuation Expenses					
Benefits Payments:					
- Pension Scheme	221,315	226,230	226,894	227,559	228,222
-GSS Scheme	211,070	260,294	281,597	302,920	324,204
-WSS Scheme	77,319	92,870	105,110	117,360	128,588
Administration Expenses	19,473	24,021	24,690	25,376	26,019
Changes in Net Market Value of Other Assets	4,297	5,959	6,105	6,262	6,422
Interest on Loan	41,841	41,529	40,372	39,134	37,811
Total Expenses from Ordinary Activities	575,315	650,902	684,767	718,611	751,266
BENEFIT ACCRUED AS A RESULT OF ORDINARY OPERATIONS	77,971	458,681	537,094	594,629	646,308

	2001/2002 Actual \$'000	2002/03 Budget Estimate \$'000	2003/04 Forward Estimate \$'000	2004/2005 Forward Estimate \$'000	2005/06 Forward Estimate \$'000
ASSETS					
Investments	3,009,469	3,645,244	4,164,388	4,739,734	5,365,405
Sundry Debtors	19,361	20,174	19,953	19,826	19,750
Property and Plant Equipment	18,718	17,343	17,745	18,168	18,598
Prepayments	2,476	2,202	1,969	1,736	1,503
TOTAL ASSETS	3,050,024	3,684,963	4,204,054	4,779,463	5,405,255
LIABILITIES					
Unpaid & Accrued Liabilities	5,124	5,374	5,390	5,406	5,421
Sundry Creditors	32,903	13,235	12,734	12,239	11,753
Provision for Employees Entitlements	1,974	2,244	2,289	2,335	2,381
Provision for superannuation Liabilities	3,601	4,039	4,281	4,538	4,810
Interest Bearing Liabilities	619,063	602,416	584,611	565,569	545,204
TOTAL LIABILITIES	662,665	627,308	609,305	590,086	569,570
NET ASSETS AVAILABLE TO PAY BENEFITS	2,387,359	3,057,655	3,594,750	4,189,379	4,835,685