

Annual Report

2008/2009





To the Hon Troy Buswell MLA,

Treasurer; Minister for Commerce; Science and Innovation; Housing and Works

In accordance with Section 61 of the *Financial Management Act 2006*, we hereby submit for your information and presentation to Parliament, the Annual Report of the Government Employees Superannuation Board, trading as GESB, for the financial year ended 30 June 2009.

The Annual Report has been prepared in accordance with the provisions of the following Acts:

- Financial Management Act 2006
- Disability Services Act 1993
- Public Sector Management Act 1994
- Freedom of Information Act 1992
- State Records Act 2000
- Electoral Act 1907
- Public Interest Disclosure Act 2003



P J HARVEY
CHAIRMAN

27 August 2009



M DOLIN
CHIEF EXECUTIVE OFFICER

27 August 2009

GESB Profile

GESB IS A SUPERANNUATION AND WEALTH MANAGEMENT PROVIDER TO MORE THAN 310,000 CURRENT AND FORMER WA PUBLIC SECTOR EMPLOYEES. AS WESTERN AUSTRALIA'S LARGEST LOCALLY BASED SUPERANNUATION PROVIDER, WE MANAGE AN INVESTMENT PORTFOLIO OF MORE THAN \$8.4 BN AND DIRECTLY EMPLOY 221 PEOPLE.

The primary activities of GESB and its subsidiary include investment management, account administration, member education, employer account management, call centre services and financial advice.

Consistent with the *State Superannuation Act (2000)*, our core value is to always act in the best interests of our members. Our primary objective is to increase member value and we continue to engage with our stakeholders to help deliver this outcome.

Drawing on 70 years of experience managing superannuation and pensions, GESB continues to build internal capability and partnerships to respond to our member needs, industry challenges, increased competition and choice in superannuation.

OUR PURPOSE

To improve the long-term financial well-being of our members.

OUR VISION

To be the leading wealth management provider for Western Australians.

OUR CORPORATIVE OBJECTIVES

GESB's core strategic objective is to increase member value. Value to our members means providing competitive products and fees, good service and sound investment returns. These outcomes will be achieved by member retention and growth, funds retention and growth, sound investments and increased efficiencies which also deliver benefits to the State.

GESB recognises the importance of scale and diversification in delivering competitive fees and investment returns, reducing risk and meeting members' needs for additional products and services.

GESB's purpose and vision are supported by achieving above market performance on four corporate objectives:

- Sustainable Growth - Deliver competitive superannuation, retirement and financial advice products and services.
- Cost Management - Prudent management of our cost base.
- Risk Management - Manage our business responsibly.
- People Management - Build a performance culture focused on member value.

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Joint Report from the Chairman and Chief Executive Officer



This year marks the 70th year that GESB has provided superannuation services to Western Australian public sector employees. GESB has accomplished a great deal over the past seven decades and we are confident that we will continue to provide services and products that will help improve our members' long-term financial well-being.

TRANSITION TO PUBLIC OFFER

It had been expected that GESB's 2007/08 Annual Report would be our final report as a government owned organisation. However, at the start of this financial year, the State Government announced that mutualisation of GESB would be delayed. At 30 June 2009, mutualisation had still not been achieved. Hence, this Annual Report continues to reflect GESB's ongoing status as a government agency.

In the past year, progress has been made towards opening the fund to the public and transitioning to a member-owned mutual, as legislated in October 2007.

GESB and the Department of Treasury and Finance continued to finalise transition arrangements relating to reserves and the tax status of West State Super. Once outstanding matters are addressed, the Treasurer will set a date for GESB to become a member-owned mutual.

While the delay in transition has been unfortunate, the State Government, Treasury and GESB are working closely together to resolve these outstanding issues.

GLOBAL FINANCIAL CRISIS

Investment conditions were challenging during the year as the global financial crisis unfolded. The turmoil that began in the banking and financial sector steadily spread to the real economy, severely restraining economic demand and sending most major economies into recession.

The peak of the crisis culminated following the collapse of US investment bank Lehman Brothers in September

2008. Liquidity and risk conditions reached their nadir during the latter months of 2008 and the early period of 2009. However, concern eased and through the last quarter of 2008/09 a strong rebound in equity and credit markets was observed.

In investment terms, 2008/09 followed the pattern of the previous year, with poor financial market performance resulting in a second successive year of negative portfolio returns. The investment return on GESB's portfolio for the year was -11.4%.

Although funds under management were affected by market performance, GESB's net funds flow remains sound. Despite the economic downturn, GESB had \$2 bn in inflows, with \$806.3m in net funds flow during 2008/09.

GESB's investment Management Expense Ratio was contained to 0.37% for the year, compared to a forecast of 0.39%.

Given prevailing market conditions, GESB's performance over the year was solid for most investment plans. Strong relative performance in Australian equities was a notable highlight.

With the challenging investment conditions in mind, GESB's foremost achievement for the year was in maintaining a prudent approach to managing the portfolio's risk and liquidity. In particular, GESB maintained a highly-liquid portfolio with low exposure to unlisted, illiquid assets despite the apparent resilience of unlisted assets for much of the year. This discipline was vindicated late in the year as valuations of unlisted assets were revised sharply downwards, causing liquidity problems for funds with larger exposures.

Despite the still mixed economic signals of recent months, it seems the worst of the financial crisis may be behind us, after investors regained confidence and pushed financial markets to a strong recovery in the last quarter of the financial year, rising significantly from the lows of February.

PRODUCT AND SERVICE HIGHLIGHTS

During the year, there was strong demand for financial advisory services from GESB Financial Advice, with member appointments almost doubling from the previous financial year. It is clear that GESB members want such advice, particularly regarding GESB's schemes especially when investment markets are volatile.

Members were provided with a number of new online services this year. Webcasts were introduced, providing educational videos on superannuation and investment topics via our website. Members also had access to an increased number of webinars and super and retirement seminars, including over 600 seminars held at worksites.

During the year, regional visits were increased to provide better access to information for members through workplace one-on-one appointments and seminars. Advisers from GESB Financial Advice participated in these regional programs, which were extremely well received by members.

EFFICIENCY AND QUALITY OF SERVICE EXPERIENCE

During the year, a detailed cost review was undertaken in response to the impact of the global financial crisis. It resulted in administration expense savings of 11% against budget, ensuring that GESB can continue to be one of the best value for money super providers in Australia.

PEOPLE MANAGEMENT

GESB continued to recruit and retain experienced wealth management staff. GESB is committed to aligning positions with the business objectives, and to providing members with the services they need.

Employee well-being has also been an important consideration in these challenging economic times, with a program of events being conducted throughout the year to promote health, well-being and employee engagement with the community.

ACKNOWLEDGEMENTS

We take this opportunity to thank all GESB directors and staff for their commitment this financial year. We welcomed Michael Court as a Director during the year. Michael joined the Board in March 2009 as an Employer Director.

We also acknowledge the support given to GESB during the year from our current minister, the Hon Troy Buswell. In addition, we thank the Hon Eric Ripper MLA and the Hon Ljiljana Ravlich MLC who supported GESB as Treasurer and GESB's Minister respectively before the change in Government in September 2008.

Looking ahead, we will continue to focus on improving the long-term financial well-being of our members and on ensuring that GESB continues to be one of the best value for money superannuation providers in Australia



Michele Dolin



Phil Harvey

Sustainable Growth

CORPORATE OBJECTIVE

DELIVER COMPETITIVE SUPERANNUATION, RETIREMENT AND FINANCIAL ADVICE PRODUCTS AND SERVICES.

Investment Performance

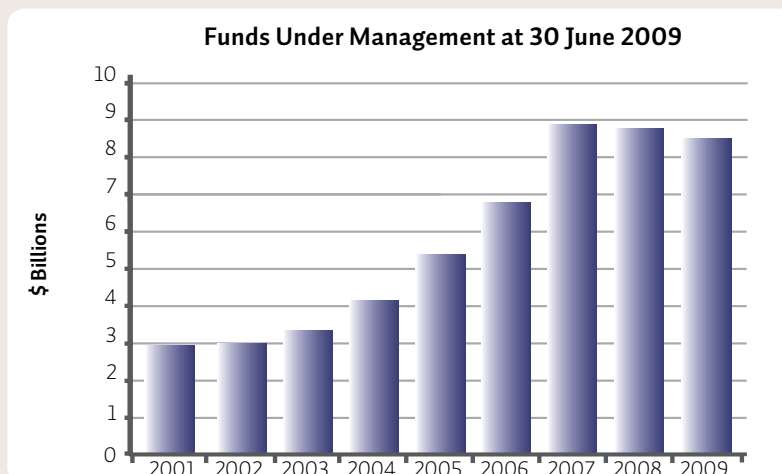
PERFORMANCE HIGHLIGHTS

- GESB's funds under management was \$8.44 billion at 30 June 2009.
- West State Super Balanced Plan, the plan adopted by 89% of members, reported a gross return of -10.00% for the 12 months to June 2009. Strong performances from GESB's Australian equity managers contributed to the plan's outperformance of its asset-weighted benchmark by 1.20%. Given the extent of the downturn in financial markets over the past two years, the plan remains behind its primary investment objective, being Consumer Price Index (CPI) plus 3.7% pa over rolling five-year periods. The plan returned 4.64% pa over the five years to June 2009, underperforming its target by 1.95% pa, although improving conditions in financial markets late in the year helped to reduce this margin.
- The combined Gold State Super, Pension and Provident Schemes achieved a gross return of -16.51% for the 12 months to June 2009, outperforming their asset-weighted benchmark by 1.38%. The schemes also outperformed the benchmark over the rolling three-year period with a return of -4.14% pa against the benchmark of -5.30% pa. As at June 2009, the schemes remain 3.34% pa behind their primary investment objective of CPI plus 4% pa over rolling five-year periods, although the gap narrowed towards the end of the year as financial markets improved.
- A number of strategic initiatives were approved or implemented during the year, including a realignment of GESB's debt and cash asset class strategies. Changes to GESB's asset allocation policy for diversified portfolios have been proposed. The changes would enable GESB to manage asset allocation more actively, by tilting the portfolio strategically towards one asset class over another and by investing in a wider range of asset classes*.
- A disciplined focus on cost management resulted in GESB's investment Management Expense Ratio being contained to 0.37% for the year, compared to the forecast 0.39%.

GESB aims to consistently deliver above benchmark returns at competitive fees within agreed risk levels.

Investment conditions were again difficult this year. Financial markets continued to decline for much of the year as the global economy slid towards recession, leading to a second straight year of negative returns for most superannuation funds. Returns from equities, property and other growth assets were especially poor, while other fixed interest securities and cash were positive.

Declining financial markets saw GESB's total investment portfolio decrease by 3.87% over the year to 30 June 2009, from \$8.78 billion to \$8.44 billion. Of the total portfolio, the defined benefit schemes and reserves accounted for \$2.12 billion, West State Super \$5.24 billion, GESB Super \$0.48 billion and Retirement Income \$0.60 billion.



GESB's investment benchmarks used throughout this Annual Report are based on industry standards as recommended by our asset consultant.

* Subject to pending approvals.

West State Super

WEST STATE SUPER DIVERSIFIED PLAN PERFORMANCE (GROSS OF INVESTMENT FEES AND APPLICABLE TAXES) – 1, 3 & 5 YEARS

INVESTMENT PLAN		1 YEAR GROSS RETURN %	3 YEAR GROSS RETURN % PA	5 YEAR GROSS RETURN % PA
Investment Plan	Cash Plan	4.52	5.90	6.03
Benchmark	UBSA Bank Bill Index	5.48	6.41	6.13
Investment Plan	Conservative Plan	-2.52	2.57	5.47
Benchmark	Notional Return on Benchmark Allocation	-1.98	2.47	5.27
Investment Plan	Balanced Plan	-10.00	-0.98	4.64
Benchmark	Notional Return on Benchmark Allocation	-11.20	-2.06	3.79
Investment Plan	Growth Plan	-14.71	-3.04	4.00
Benchmark	Notional Return on Benchmark Allocation	-16.29	-4.42	2.89

Two out of four West State Super Readymade plans outperformed their asset weighted benchmarks for the year. On a five year rolling basis, three out of the four plans outperformed their benchmarks.

The default West State Balanced Plan experienced a return of -10.00% over the past year, resulting in a five year average return of 4.64%pa. The West State Growth Plan's investment performance was -14.71% over the past year, resulting in a five-year average return of 4.00%pa, while the West State Conservative Plan return was just -2.52%, giving a five-year average return of 5.47% pa.

In relative terms, strong performance in Australian equities was a notable highlight; GESB's underlying Australian equity managers, in aggregate, exceeded their benchmark index by 7.16% over the year. Meanwhile, GESB's cash portfolio lagged its benchmark, though still delivering a positive return. Together, these outcomes translated to outperformance by the West State Balanced and West State Growth Plans and underperformance by the West State Conservative and West State Cash Plans versus their respective benchmarks.

Against their explicit five year CPI performance targets, Cash outperformed by 0.94%, while the Conservative, Balanced and Growth Plans underperformed.

Retirement Income

RETIREMENT INCOME DIVERSIFIED PLAN PERFORMANCE (GROSS OF INVESTMENT FEES AND APPLICABLE TAXES) – 1, 3 & 5 YEARS

INVESTMENT PLAN		1 YEAR GROSS RETURN %	3 YEAR GROSS RETURN % PA	5 YEAR GROSS RETURN % PA
Investment Plan	Cash Plan	4.51	5.87	6.01
Benchmark	UBSA Bank Bill Index	5.48	6.41	6.13
Investment Plan	Conservative Plan	-1.83	2.93	5.92
Benchmark	Notional Return on Benchmark Allocation	-1.91	2.64	5.59
Investment Plan	Balanced Plan	-8.66	-0.19	5.57
Benchmark	Notional Return on Benchmark Allocation	-11.12	-1.81	4.37
Investment Plan	Growth Plan	-13.54	-2.39	5.12
Benchmark	Notional Return on Benchmark Allocation	-16.19	-4.25	3.62

Three out of four Retirement Income Readymade plans outperformed their asset weighted benchmarks over one, three and five year periods.

Against their explicit five year CPI performance targets, Cash outperformed by 0.92%, while the Conservative, Balanced and Growth plans underperformed.

Gold State Super, Pension Scheme and Provident Account

The assets of the defined benefits schemes, Gold State Super, Pension Scheme and Provident Account, are pooled into a single strategy and invested with a common asset allocation to manage the funded liability on behalf of the State. This strategy achieved a gross return of -16.51% for the 12 months to 30 June 2009, outperforming the asset-weighted benchmark by 1.38% due mainly to strong performances from GESB's Australian equity managers. Over rolling three and five year periods the strategy outperformed its asset-weighted benchmark return by 1.16% pa and 0.97% pa respectively.

INVESTMENT PLAN		1 YEAR GROSS RETURN %	3 YEAR GROSS RETURN % PA	5 YEAR GROSS RETURN % PA
Investment Plan	Gold State, Pension and Provident	-16.51	-4.14	3.55
Benchmark	Notional Return on Benchmark Allocation	-17.89	-5.30	2.58

Measured against its primary investment objective of CPI plus 4% pa over rolling five year periods, this strategy underperformed by 3.34% pa to 30 June 2009 (not shown in the table).

Asset Class Structure

GESB proactively reviews its investment strategies, taking into consideration current industry best practice and new developments and opportunities within the global asset management sector.

A strategic asset class review agreed the realignment of GESB's cash and fixed income strategies to target a core and enhanced portfolio approach. This has resulted in the primary cash portfolio transitioning to a core, very short-duration strategy. Realignment of the fixed income strategy will see the adoption of a predominantly sovereign core portfolio, supplemented by a discrete multi-strategy credit portfolio that will be held within the "alternatives" asset class category.

Minor changes were made to the investment manager line-up within GESB's international equity portfolio following the termination of a manager.

Also proposed are changes to GESB's asset allocation policy for diversified portfolios. The changes would enable GESB to manage asset allocation more actively, by tilting the portfolio strategically towards one asset class over another and by investing in a wider range of asset classes. The rationale behind the proposed changes is twofold: firstly to better enable GESB to manage "tail risk" during periods of substantial dislocation in financial markets; and secondly to take advantage of diversification opportunities arising in non-core asset classes and strategies.*

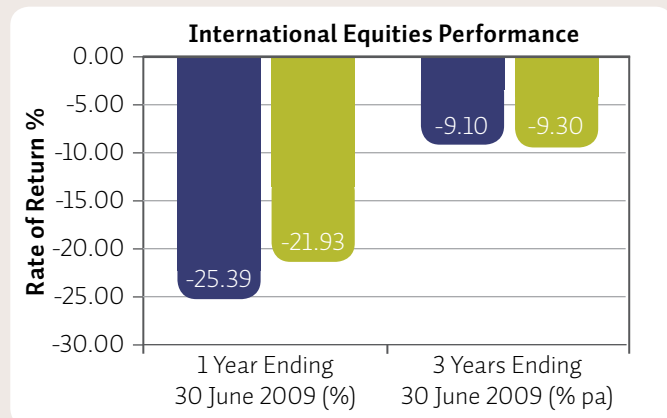
ASSET CLASS PERFORMANCE

As previously described, investment conditions were challenging again this year as the global financial crisis continued to unfold. The turmoil that began in the banking and financial sector steadily spread to the real economy during the year, severely reducing economic demand and sending most major economies into recession.

Global credit, property and equity markets all performed very poorly for much of the year. However, it seems the worst of the challenging economic conditions may now be behind us after financial markets staged a strong recovery over the latter part of the year, rising significantly from the lows of February.

The performance of the various asset classes is set out below.

INTERNATIONAL EQUITIES



International equity markets, as defined by the benchmark MSCI World ex-Australia Index, lost considerable ground over the full year despite recovering somewhat in the June quarter. The index declined by 26.58% in local currency terms, though the weaker Australian dollar reduced the deficit to 16.25% when measured in Australian dollar terms. GESB's own benchmark, which is 50% hedged back into Australian dollars, declined by 21.93% as shown in the chart.

GESB ■ Benchmark ■

World equity markets were close to halving in value by early March 2009 as investors continued to withdraw from risk assets. Markets then rallied strongly for the remainder of the year on the belief that global government intervention had restored some degree of normality to the financial system. The rally began with companies priced at near bankruptcy levels but spread to the broader market as the view that the global recession may not be as severe as anticipated gained popularity.

Asia Pacific (ex Japan) was the best performing region led by China which was one of the few countries with a positive equity market return as the Chinese government undertook a massive fiscal spending program to stimulate growth. The weakest regions were the emerging markets areas of Eastern Europe and Latin America while the US and developed markets of Europe also suffered significant falls. Globally, investors hid in defensive sectors including consumer staples and healthcare which outperformed riskier growth sectors such as materials and energy. Over the year, the Australian dollar depreciated 15.71% against the US dollar which aided unhedged Australian investments in global markets.

During the year, there was a minor restructuring of GESB's investment manager team resulting from the termination of an existing arrangement. This saw the reassignment of funds to existing managers pending a search that will lead to the appointment of one or more new managers in 2009/10. The portfolio remains aligned along a developed and emerging structure.

GESB maintains a permanent foreign currency hedge over approximately 50% of the international equities portfolio. The hedge is managed by State Street Global Advisers.

* Subject to pending approvals.

AUSTRALIAN EQUITIES

The Australian equity market declined by 20.34% over the year as the global financial crisis unfolded. Notwithstanding this decline, the market gained a healthy 11.49% over the June quarter – its first quarterly gain since September 2007.

Over the full year, the sectors that declined most sharply were the ones most exposed to global economic conditions, including resources, industrials and energy, while defensive sectors such as health and consumer staples were more resilient. However, the tables were turned during the June quarter as investors regained their appetite for risk, benefiting the sectors that had previously declined the most.

Capital raisings were commonplace throughout the year as companies in all sectors looked to shore up their balance sheets. More than \$80 billion has now been raised in the past 12 months. Investors have generally responded positively to companies lowering their financial risk and most of the companies that raised capital are now trading above their pre-placement prices.

The strength of GESB's relative performance in Australian equities during the period was of particular note, with the portfolio outperforming the benchmark index by 7.16%.

The portfolio is currently comprised of four broad market managers and two small capitalisation managers.

SOCIALLY RESPONSIBLE INVESTMENT

GESB's Socially Responsible Investment – Australian Equities portfolio lagged the benchmark index by a small margin over the full year. Relative performance was negative for the first half of the year but improved strongly over the second half. The portfolio is managed by AMP Capital Investors according to its Sustainable Alpha investment process that takes into account environmental, social and governance issues in selecting equities for the portfolio.

GLOBAL PROPERTY

The listed property sector was one of the hardest hit by the financial crisis as global credit conditions deteriorated, the cost of debt rose significantly and investors avoided companies with high levels of gearing. International REITs (real estate investment trusts) declined 43.05% over the year as measured by the UBS Global Investors (ex Australia) Index hedged in Australian dollars. Many companies were forced to undertake large capital raisings to lower debt levels and recapitalise their balance sheets. The US and UK property markets were affected the hardest as the crisis began but the contagion soon spread to the rest of the developed world. The Australia REIT market was not protected from the downturn, falling 42.11% as measured by the S&P/ASX 300 Property Accumulation Index, or the need to repair balance sheet strength with over \$15 billion raised across the sector by the end of the year.

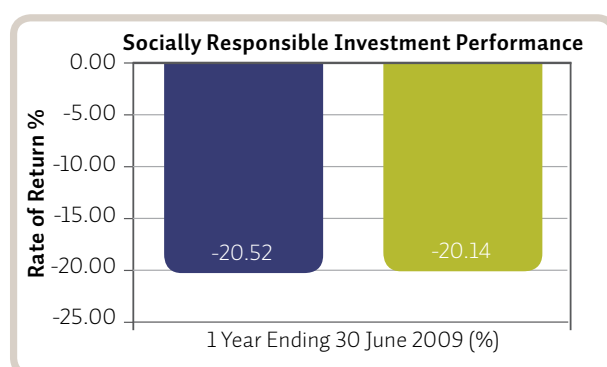
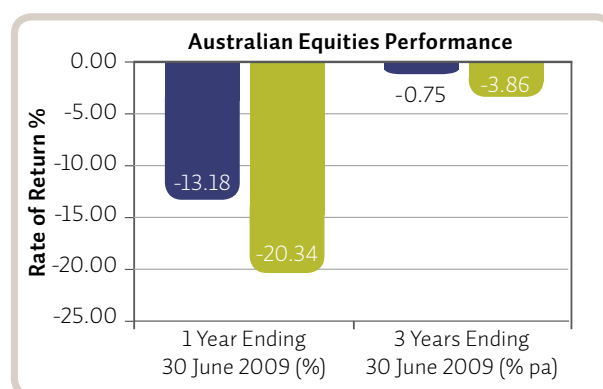
GESB's property portfolio marginally outperformed its composite benchmark index over the year.

As was noted in last year's Annual Report, GESB has formulated a strategy to extend and diversify its property portfolio to include unlisted funds. At this point, GESB remains fully invested in listed REITs and has deferred any commitments to unlisted funds. This is considered a prudent approach in light of the significant writedowns now being taken by unlisted managers and the further significant writedowns expected in 2009/10.

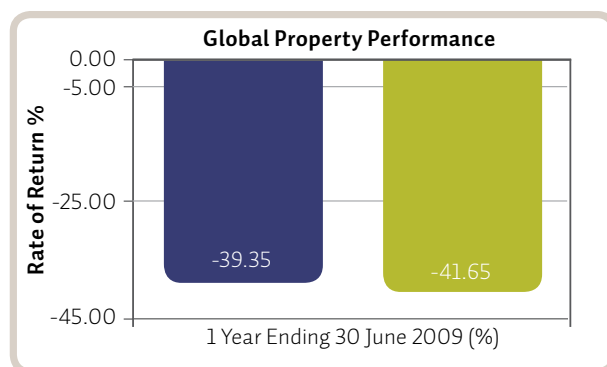
GESB's global property portfolio is comprised of specialist Australian and international REITs managers.

GLOBAL FIXED INTEREST

Fixed interest markets, in aggregate, performed strongly over the year, delivering positive returns of around 10%. However, beneath the headline return, fixed interest markets fragmented as various asset classes of securities were impacted in a variety of ways by the economic downturn.



Due to an asset class restructure in April 2007 returns for three years are not available.



Due to an asset class restructure in May 2008 returns for three years are not available.

GESB ■ Benchmark ■

Longer-term government bonds have performed reasonably strongly as the threat of inflation has generally receded, lowering long-term market interest rates and pushing up bond prices. Previously, strong expansion of the global economy during the middle part of this decade steadily increased the risk of inflation and dampened prices and returns from government bonds.

Shorter-term bonds have also performed well as the slowing global economy has prompted central banks to lower official interest rates to their lowest levels in decades.

In contrast, longer-term bonds issued by banks and other corporations have been hit hard by sharply wider “credit spreads”, forcing market interest rates higher and a reduction in prices and returns. Whereas previously, credit spreads were narrow and government bonds and corporate bonds moved almost in unison, the sub-prime mortgage crisis has brought credit risk to the forefront of investors’ minds and created a distinct hierarchy of bond prices that reflects issuers’ creditworthiness.

GESB’s consolidated Global Fixed Interest portfolio lagged its benchmark index by a small margin over the full year.

As previously mentioned, GESB is realigning its fixed income portfolio through 2009/10 to deliver a core strategy focused on sovereign and investment grade securities. This will be supplemented by multi-strategy credit mandates.

CASH

During the year, the Reserve Bank, having previously adopted a tightening to neutral bias, moved in step with other central banks in responding to the unfolding of the global financial crisis. Its position shifted dramatically with the cash rate being eased on six occasions during 2008/09 and the target rate moving from 7.25% to 3.0%.

The benchmark index returned 5.48%. GESB’s portfolio lagged the benchmark, but still delivered a very sound and positive return.

As noted previously, the cash portfolio was realigned to transition to a core, very short duration mandate.

ALTERNATIVES

Within the Alternatives asset class, private equity returns were negative over the full year as valuations of unlisted investments generally, including private equity, were written down consistent with listed market multiples and underlying investee company performance.

The 50% currency hedge that previously applied to the private equity portfolio was removed during the year.

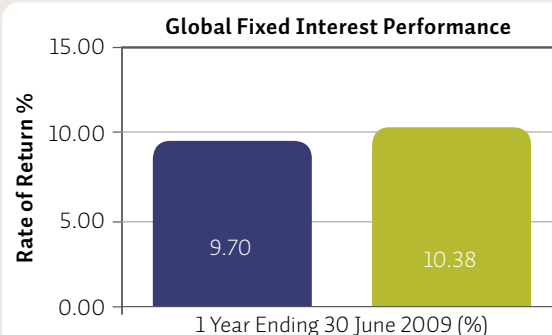
An enhanced cash strategy (referred to as Lower Risk Return in this report) was transferred to the Alternatives asset class in June 2009. Returns shown for one and three years are only for the private equity component of the Alternatives asset class.

LOOKING AHEAD

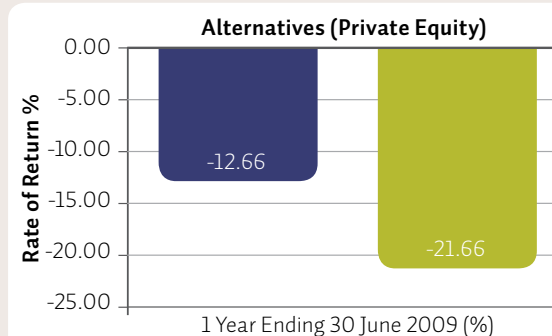
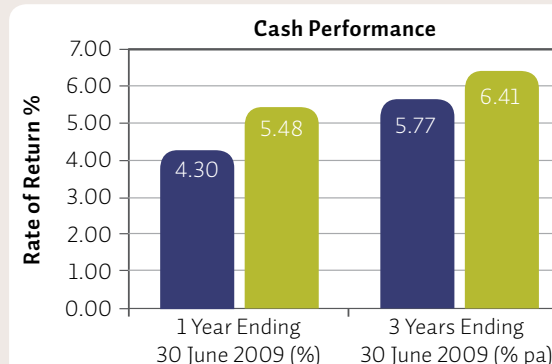
GESB retains an active program of investment initiatives, including:

- Realignment of the fixed income portfolio to achieve a sovereign/ investment grade core, supplemented by multi-strategy credit mandates within the “alternatives” framework;
- Carefully timed execution of the global unlisted property strategy;
- Development of GESB’s asset allocation model to enable more active decision making via strategic tilts and a more flexible asset class framework.

Fundamental to delivering the above initiatives is ongoing development of GESB’s internal investment team. Key appointments made in 2008/09 have added complementary specialist skills. Selectively securing key investment resources will remain a focus in 2009/10.



Due to an asset class restructure in May 2008 returns for three years are not available.



Due to an asset class restructure in May 2008 returns for three years are not available.

GESB ■ Benchmark ■

Member and Employer Services

During the 2008/09 financial year, GESB continued to provide products and services to help improve the long-term financial well-being of our members. In early 2009, GESB celebrated its 70th year of providing superannuation for WA public sector workers. During the year, GESB's membership base grew to over 300,000 and GESB Financial Advice completed their 1000th member appointment.

Throughout the year, over 600 free member seminars were held with GESB Member Education Consultants and advisers from GESB Financial Advice extending their visits to regional Western Australia. Regional programs were very well received by members.

Members now have access to webcasts, introduced in April this year, which provide superannuation and investment education as well as current market commentary via our website. Members can also access campaign specific microsites, an increased number of webinars and make bookings for member seminars online. In addition to this, members have 24 hour access to their account.

Employers continue to be supported at all levels across their businesses through executive and senior management forums and workshops, regular newsletters and on-site member education seminars for their employees. More than 70% of employers participate in work-site superannuation seminars.

GESB Financial Advice grew significantly in the 2008/09 financial year, with member appointments almost doubling from the previous financial year. GESB members' need for professional advice is particularly high in times of investment market volatility.

GESB continues to be recognised as being one of the best value for money superannuation providers in Australia. Independent research consultancy Chant West awarded GESB Super and GESB's Retirement Income Allocated Pension their highest quality rating of Five Apples. In addition, independent researcher SuperRatings rates GESB Super, West State Super and GESB's Retirement Income Allocated Pension, in the top 15% of all funds.

Member communication and education is given a high priority at GESB. This was recognised by two major awards from the Association of Superannuation Funds of Australia (ASFA) Communications Awards.

Business Improvements

During the year, administration functions were restructured to more efficiently deliver quality service to members. Additional technical specialist roles have strengthened GESB's administration capability, particularly for member and regulatory reporting and integrating new initiatives.

Enhanced performance reporting was implemented for the effective management, and achievement, of service standards across all core administration processes. The administration function is now better able to accurately forecast resource requirements and set processing benchmarks for individual service outputs.



Cost Management

CORPORATE OBJECTIVE

PRUDENT MANAGEMENT OF OUR COST BASE.

PERFORMANCE HIGHLIGHTS

During the year, an administration cost review was undertaken. This review was initiated in response to the impact of the global financial crisis on our business. The review resulted in cost savings of 11% against the 2008/09 approved budget. These savings offset reductions in fee revenue, which were a result of a decline in funds under management caused by lower investment returns. These cost savings have a positive impact on member fees and the Defined Benefit expense reserves, delivering benefits to both members and the State.

Risk Management

CORPORATE OBJECTIVE

MANAGE OUR BUSINESS RESPONSIBLY.

PERFORMANCE HIGHLIGHTS

The year ending 30 June 2009 was a significant one in respect of responsible risk management for GESB, including the risks associated with the fallout from the global financial crisis. As a result, GESB carried out a review of the impact of the global financial crisis on our strategic objectives and investment decisions.

GESB's Ongoing Customer Due Diligence Requirements came into effect in December 2008, as required by the *Anti-Money Laundering and Counter Terrorism Financing Act*. This required all reporting entities to monitor the way in which their customers interact with their products and services, and to implement reporting guidelines where they identify a potentially suspicious matter.

People Management

CORPORATE OBJECTIVE

BUILD A PERFORMANCE CULTURE FOCUSED ON MEMBER VALUE.

PERFORMANCE HIGHLIGHTS

During the year, GESB built further wealth management capability enhancing our overall ability to deliver services relevant to our members. The number of financial advisers and paraplanners grew in direct response to member demand for financial planning.

Consistent with best practice in managing people, GESB took an active role in promoting a performance culture through initiatives such as personalised Success Plans which link individual contribution to the overall business strategy, and providing increased access to development opportunities. Employee well-being has been an important consideration in these challenging economic times. The GESB Goodlife program was introduced with the aim of promoting a work-life balance and encouraging GESB's employees to engage in community initiatives. Flexible working arrangements have helped managers and employees identify fair and sustainable ways to balance personal and family circumstances with business requirements.

Corporate Overview

Enabling Legislation

GESB's statutory framework is principally derived from the *State Superannuation Act 2000* and the *State Superannuation Regulations 2001*. GESB's functions under the *State Superannuation Act* are to:

- Administer the *State Superannuation Act 2000*
- Manage the Government Employees Superannuation Fund (GES Fund)
- Administer GESB's schemes
- Provide information, advice and assistance to the Minister and Treasurer on matters relating to superannuation
- Provide or facilitate the provision of products and services to:
 - Members of superannuation schemes administered under the *State Superannuation Act 2000* or any other written law; and
 - Employers.
- Perform any other functions conferred under any other written law.

In carrying out these functions, GESB is to act in the best interests of our members, as far as practicable.

RESPONSIBLE MINISTER

The Responsible Minister for GESB is the Hon Troy Buswell MLA, Treasurer; Minister for Commerce; Science and Innovation; Housing and Works.

CHOICE OF FUND AND MUTUALISATION

Amendments to the *State Superannuation Act 2000* in October 2007 provide for the introduction of choice for public sector employees, opening the fund to the public and the mutualisation of GESB. GESB's reform to a Commonwealth regulated, member owned mutual underpins member value, is essential to mitigate scale, regulatory and industry risks and is beneficial for our members, the State and GESB. GESB will continue to work with the State Government to introduce these reforms

Changes to Legislation and Regulations

There were no amendments to the *State Superannuation Act 2000* in 2008/09.

A number of amendments were made to the *State Superannuation Regulations 2001* and include:

- The introduction of Ordinary Time Earnings (OTE) into regulations for accumulation scheme members in order to comply with Commonwealth superannuation guarantee (SG) requirements;
- The introduction of Salary Continuance Insurance for West State Super members
- The preservation age for West State Super members has been aligned to the *Superannuation Industry (Supervision) Act 1993* and varies between age 55 and 60 depending on year of birth
- Partial payments to be made out of West State Super accounts under certain circumstances
- Contribution age limits introduced for members of West State Super and GESB Super
- Contribution splitting for West State Super members
- Death benefits payable to a person other than a dependant or legal representative if no dependant can be located.

Relationships with Stakeholders

CONSULTATIVE GROUPS

An Implementation Working Group chaired by the Department of Treasury and Finance met regularly during 2008/09. This group progressed the significant work associated with the reform of GESB and choice of fund for public sector employees.

The Choice of Fund Education Project Steering Committee met regularly in 2008/09 and is chaired by the Department of Treasury and Finance. The Committee oversees the project designed to inform and educate WA public sector employers and employees about their rights and responsibilities in relation to choice of fund.

UNIONS

GESB continues to work with key public sector unions. Progress on the introduction of choice of fund, West State Super insurance improvements, travel insurance, changes to fees, Federal Budget changes and services provided by GESB Financial Advice were the subject of regular information sessions during the year.

EMPLOYERS

A series of meetings with the Chief Executive Officers of major WA public sector employers took place in early 2009 to provide updates on superannuation, mutualisation, financial markets, Federal Budget outcomes and other matters.

MINISTER AND GOVERNMENT

An election held during the 2008/09 year saw a change in Government. Since then, GESB has worked closely with our new Responsible Minister and the Treasurer, the Hon Troy Buswell MLA. GESB has also worked closely with the Department of Treasury and Finance in their role as adviser to the Treasurer. GESB would like to acknowledge the work undertaken on our behalf by the former Minister for Government Enterprises, the Hon Ljiljanna Ravlich MLC, and the former Treasurer, the Hon Eric Ripper MLA.

MINISTERIAL DIRECTIVES

No ministerial directives were received during the financial year.

Members of the Board



PHIL HARVEY – CHAIRMAN
(BE (HON), BCOM, GRAD DIP NAAC, FAICD)

Mr Harvey was appointed to the Board as Chairman in March 2003, for a term of five years. In March 2008 his appointment as Chairman was extended for three years. Mr Harvey is currently the Chairman of the Corporate Governance Committee and the CEO Performance Committee of the GESB Board.

In his activities outside GESB, Mr Harvey is Chairman of LNG Ltd, Deputy Chairman of Cool Energy Ltd and a board member of WA-ERA.

Mr Harvey attended Perth Modern School and completed degrees in engineering and commerce at the University of Western Australia. He has worked in many aspects of energy planning and supply and was appointed Deputy Commissioner and a board member of SECWA in 1986. In 1994 he was appointed Chief Executive Officer of Alinta Gas where he retired from full-time employment in 2001.

He is a fellow of the Australian Institute of Company Directors and was formerly a fellow of the Institution of Engineers, Australia.



MATT FARRELL – DEPUTY CHAIRMAN, MEMBER DIRECTOR
(BSC, DIP ED, MAIP, FAICD)

Mr Farrell was first elected to the Board in 1996 and is serving his fifth three-year term as a Member Director which will expire on 7 February 2011. Mr Farrell is currently Deputy Chairman of the GESB Board and has been a member of its Audit and Risk Committee since 1996, serving as its Chairman from December 2001 to June 2005. He is also a member of the CEO Performance Committee.

Mr Farrell is a former Vice-President and industrial advocate of the State School Teachers' Union of Western Australia. In 2001 he was made a life member of the Australian Education Union.

Mr Farrell retired in 2004 after a long career as a lecturer of mathematics in Technical and Further Education (TAFE).

Mr Farrell holds a Bachelor of Science degree, a Diploma of Education and a Post-Graduate Diploma in Applied Physics. He also holds a Company Directors Course Diploma, is a fellow of the Australian Institute of Company Directors and is a member of the Australian Institute of Physics.



RICHARD ALDER – EMPLOYER DIRECTOR
(A FIN, FAICD)

Mr Alder was appointed to the GESB Board for a term of five years on 26 February 2008. Mr Alder has 36 years experience in the securities industry. He was managing partner in the Perth office of JB Were and Son for 16 years until his retirement in 2003. Prior to this, he spent six years in JB Were's London office providing him with an extensive global understanding of investments.

Mr Alder's responsibilities at JB Were and Son included representing the firm within the corporate sector, advising professional investment and superannuation funds on their investment strategy and facilitating the placement of new and existing capital for ASX listed companies. During his period at JB Were and Son, Mr Alder was involved in the role played by the firm in facilitating the capitalisation of local companies, such as WA Newspapers, Alinta Gas and Wesfarmers.

Mr Alder is a consultant to Australia's largest listed investment company, Australian Foundation Investment Company Limited. He has also been active within Perth industry associations, including ASFA, Committee for Economic Development of Australia (CEDA) and the Securities Institute of Australia (now the Financial Services Institute of Australasia). Mr Alder is also active in honorary roles at the Murdoch University Foundation, the Murdoch Veterinary Trust and the Lions Eye Institute.

Mr Alder is currently a director of the Royal Flying Doctor Service, Western Operations and a trustee of the JP Stratton Trust.



HARVEY COLLINS – EMPLOYER DIRECTOR
(BBUS, FCPA, SF FIN, FAICD)

Mr Collins was appointed to the Board in 2001 for a term of three years and reappointed in 2004 for five years to 29 October 2009. He has chaired the Audit and Risk Committee of the GESB Board since July 2005.

Mr Collins has a strong background in banking and finance as the former Chief Financial Officer of Challenge Bank Limited and a director of the listed investment company, Chieftain Securities Limited.

He is currently Chairman of Navitas Limited and HBF Health Funds Inc (retiring October 2009), Deputy Chairman of Verve Energy and a director of Bankwest Ltd and Brierty Ltd.

Mr Collins holds a Bachelor of Business Degree (with Distinction) from the WA Institute of Technology and a Post-Graduate Diploma in Financial Studies from the University of Strathclyde, Glasgow, UK. He is a fellow of the Australian Institute of Company Directors, a fellow of the Australian Society of Certified Practising Accountants and a senior fellow of the Financial Services Institute of Australasia. He is a member of the WA Council of the Australian Institute of Company Directors.



MICHAEL COURT – EMPLOYER DIRECTOR (APPOINTMENT COMMENCED ON 10 MARCH 2009)
(B ECON (HONS))

Mr Court was appointed as an Employer Director for the period 10 March 2009 until 24 November 2013.

Mr Court is currently an Executive Director of the Department of Treasury and Finance, where he heads the Economic Business Unit which provides advice to the Government on economic and financial policy issues. This includes responsibility for financial arrangements with the Commonwealth and the statutory reporting on State finances. Prior to working in the Department of Treasury and Finance, Mr Court worked in the Australian public service in Canberra, including with the Commonwealth Treasury and the Department of Foreign Affairs and Trade.

Mr Court has an Honours Degree in Economics from Murdoch University and represents Western Australia on the Australian Statistics Advisory Council.



MICHELE DOLIN – EMPLOYER DIRECTOR (APPOINTMENT CEASED ON 7 JULY 2008)
(BA, MA, MBA, FAICD, FAIM – LIFE MEMBER, SF FIN)

Ms Dolin was appointed Employer Director of the Board for a term which expired on 7 July 2008. She was also a member of the Corporate Governance Committee. Ms Dolin is GESB's Chief Executive Officer with a long and distinguished career in the finance sector. Before joining GESB, Ms Dolin held a number of senior executive appointments with leading Australian financial institutions including General Manager positions with BankWest, Westpac Banking Corporation and Challenge Bank Ltd. She also held the position of Chief Financial Officer at both BankWest and Challenge Bank. Prior to this she was with Price Waterhouse and Colonial Mutual.

Ms Dolin currently holds non-executive appointments as a board member with the Association of Superannuation Funds of Australia (ASFA), pro-chancellor of Curtin University of Technology and is a board member of the Lions Eye Institute.

Ms Dolin has a Master of Business Administration from the University of Melbourne, a Master of Arts from Michigan State University (USA) and a Bachelor of Arts from the University of Maryland (USA).



ROBERT LEWTAS – MEMBER DIRECTOR
(MAICD)

Mr Lewtas was first elected as a Member Director to the GESB Board for a term of three years commencing on 15 August 2006. His second three year term will expire on 14 August 2012. He was recently appointed a member of the Audit and Risk Committee.

Mr Lewtas is currently the Finance and Administration Manager of the WA branch of the Liquor, Hospitality and Miscellaneous Union.

His executive experience includes a 20 year career in TAFE administration and nine years in facilities management at Murdoch University before joining the Union in 2005. While at Murdoch University he was also a small business owner/operator.

Previously he has served on boards for the South Coast Regional Chamber of Commerce (past President), the South Coast Business Development Organisation and Rockingham Community Financial Services Limited Board which owns and operates the Rockingham Community Bank Branch, a franchise of Bendigo Bank Limited.

Mr Lewtas has completed the Australian Institute of Company Directors course and is a member of the Australian Institute of Company Directors.



DEREK SPRAY – MEMBER DIRECTOR
(MAICD)

Mr Spray was first elected as a Member Director of the GESB Board in 2003 for a term of three years. Mr Spray's third three year term will expire on 9 July 2012. He is currently a member of the Corporate Governance Committee.

Mr Spray is currently a special projects consultant with the Department of the Attorney General and is a Community and Public Sector Union/CSA councillor.

He has more than 40 years experience in the IT industry and has broad industry experience which includes the insurance and banking sectors. His areas of expertise lie in information systems management, business operations management, product management and consultancy. He is a director of Civil Service Holdings, Civil Service Insurance Agency and CSA Services (trading as Union Financial Services).

Corporate Governance

Board of Directors

The Board is comprised of seven directors. The Board approves, monitors and reviews the strategic direction of GESB and performs functions under the *State Superannuation Act 2000*.

BOARD APPOINTMENTS AND ELECTIONS

Directors are appointed or elected under Section 8 of the *State Superannuation Act 2000*.

- The Chairman is appointed by the Governor on the nomination of the Minister after consultation with representative unions.
- Three directors are appointed by the Governor of the State of Western Australia as 'Employer Directors'.
- Three directors are elected as 'Member Directors' via elections conducted by UnionsWA in accordance with the State Superannuation Regulations 2001.
- The Chairman and Employer Directors are appointed for a term not exceeding five years. Member Directors are elected for a term not exceeding three years. All Board directors are eligible for re-appointment or re-election. If a casual vacancy occurs in the office of a Member Director, the Minister may appoint a member to fill the vacancy after consultation with representative unions until the new Member Director is elected. The Minister may remove a director in accordance with section 6(2) of Schedule 1 to the State Superannuation Act 2000.

CHANGES IN MEMBERSHIP OF THE BOARD OF DIRECTORS

Michele Dolin's appointment as an Employer Director ceased on 7 July 2008.

Michael Court was appointed as an Employer Director for a term commencing 10 March 2009 and ending 24 November 2013.

Meetings

The Board meets monthly. The number of meetings attended by each director during 2008/09 is indicated below:

DIRECTOR	NO. OF MEETINGS HELD WHILE A DIRECTOR	NO. OF MEETINGS ATTENDED
Phil Harvey Chairman	13	12
Matt Farrell Deputy Chairman and Member Director	13	12
Richard Alder Employer Director	13	12
Harvey Collins Employer Director	13	12
Michael Court Employer Director	4	4
Michele Dolin Employer Director	1	1
Robert Lewtas Member Director	13	13
Derek Spray Member Director	13	13



MATERIAL INTERESTS

Directors do not take part in deliberations or vote on a matter in which they have a material interest unless the Board has passed a resolution in the absence of the director that the Board is satisfied that the interest should not disqualify the director from considering or voting on the matter.

CONFLICTS OF INTEREST

Board directors disclose any material or personal interests in a matter involving the Board or GESB and abstain from discussions or voting on any issues where their judgment may be influenced by material or personal interests or duty to another organisation.

DIRECTORS' DUTIES

Under Section 5(1) of the Statutory Corporations (Liability of Directors) Act 1996, a Board Director of GESB has the same fiduciary relationship and duty to GESB to act with loyalty and in good faith, as a director of a company incorporated under the Corporations Act 2001. Other duties under the Statutory Corporations (Liability of Directors) Act 1996 include: a duty to act honestly in the performance of the functions of his/her office; a duty to exercise reasonable care and diligence in the performance of his/her functions; a duty not to make improper use of information acquired by virtue of his/her position, to gain, directly or indirectly, an advantage for himself/herself or for any other person or to cause detriment to GESB; and a duty not to make improper use of his/her position to gain, directly or indirectly, an advantage for himself/herself or for any other person or to cause detriment to GESB.

FIT AND PROPER

Operating standards have been developed by the Australian Prudential Regulation Authority (APRA) covering the fitness and propriety of superannuation trustees. To achieve best practice, the Board determined that GESB would move towards a similar fit and proper standard for our Board Directors and has developed a fit and proper policy. This policy requires that each director meets certain standards of fitness and propriety upon appointment and on an ongoing basis. The Minister and unions apply the fit and proper standards prior to appointing Employer and Member Directors to the Board.

The Board's education program for our Board Directors ensures all directors meet and maintain educational and technical competencies to enable them to effectively discharge their duties in a knowledgeable and prudent manner, and in accordance with the requirements of the Board's Fit and Proper Policy.

COMPENSATION AND REMUNERATION

Directors are entitled to the remuneration and allowances determined by the responsible Minister on the recommendation of the Minister for Public Sector Management. In accordance with Government policy, directors who are public sector employees are not paid additional remuneration for sitting on the Board. The Chief Executive Officer's remuneration is set by the Board.

CORPORATE GOVERNANCE POLICY FRAMEWORK

The Board operates with a Corporate Governance Policy Framework which includes governance policies in relation to:

- the Board's vision and its corporate objectives,
- the relationship between the Board and management,
- the requirements of the Chief Executive Officer,
- the delegations to the Chief Executive Officer; and
- the role and conduct of the Board and its committees.

Compliance with the policies is monitored on an ongoing basis.

RISK AND COMPLIANCE

Responsible risk management is fundamental to GESB achieving our corporate objectives. The global financial crisis and the resultant fallout presented many challenges for risk management. GESB has an ongoing process for assessing the impact of risk events that inform our decision-making progress.

For these reasons, risk management is seen as an integral part of GESB's corporate objectives. GESB has made further improvement to our risk management, monitoring and reporting processes to help promote a risk aware culture and good risk management practices. Australian Standard 4360:2004, APRA Superannuation Guidance Note 120.1 and the ASFA Best Practice Paper 19 – A Risk Management Framework for Superannuation Funds – are used as guides of best practice.

GESB has processes to monitor and report on our material risks and risk management framework each quarter to both the Audit and Risk Committee and the Board. This review takes into account both the internal and external environment and assesses its impact on GESB's risk management framework and material risks. Improvements to the analysis and reporting process intended for the new entities post mutualisation will be adopted for the current GESB risk management framework.

From December 2008 the Ongoing Customer Due Diligence ("OCDD") requirements under the Anti-Money Laundering and Counter Terrorism Financing ("AML/CTF") Act came into effect. This required all Reporting Entities to monitor the way in which their customers interacted with their products. Where a Reporting Entity, as part of their OCDD requirements, formed a suspicion that a customer may be using their products for a money laundering or terrorist financing activity the AML/CTF ACT requires that GESB lodge a Suspicious Matter Report to AUSTRAC. AUSTRAC are the regulator of the AML/CTF Act.

Risk management is also an integral part of GESB's investment process and policy. It manifests in strategic asset allocation across all the major asset classes to the diversification of different external investment managers employing different styles within each of the various asset classes. Formal annual reviews of strategic asset allocations are undertaken by the Board. Regular rebalancing of portfolios by GESB's in-house investment team

due to market movements and cash flows ensures that agreed policy and strategy are adhered to. In addition, a Risk Management Statement for investments covering the use of derivatives, which is consistent with APRA Superannuation Circular II.D.7, is in place as a matter of best practice and is reviewed annually by the Board.

GESB's compliance program provides assurance to the Board, executive, and other stakeholders that appropriate systems and processes are in place and operating to ensure GESB and our employees comply at all times with their legislative obligations and corporate policy and procedures. This program also provides mechanisms to ensure that where breaches occur they are detected, reported and remedied in a timely manner and that there is ongoing disclosure of breaches.

The program also contains key action points which the Board considers necessary to continue the development of the compliance culture including an ongoing commitment by GESB and our staff to the compliance program and sending a clear message to all staff that GESB is committed to a positive compliance culture.

The compliance program is established in accordance with the Australian Standard on Compliance Program AS 3806-2006 and is consistent with ASIC standards.

In 2008/2009 GESB further enhanced its compliance trend analysis to assist in the early identification of areas where improvement opportunities exist.

ETHICAL STANDARDS

The Board acknowledges the need for, and the continued maintenance of, high standards of ethical conduct for directors, management and staff. A Code of Conduct for the Board was adopted under the corporate governance policies. Staff and directors are required to comply with GESB's Code of Conduct.

GESB has a strong communication program promoting our organisational values, including information on our intranet, a quarterly recognition scheme to reward behaviour consistent with the values, and the incorporation of the values into role descriptions and performance management processes.

GESB conducts an annual survey of staff to track their perceptions of the extent to which staff members live the values.



Board Committees

A number of Board committees have been established to assist the Board to carry out its duties. The conduct of each committee is governed by their respective charters and more generally by the governance policy on the role of Board committees.

AUDIT AND RISK COMMITTEE

The Audit and Risk Committee assists the Board in carrying out its responsibility to exercise due care, diligence and skill in relation to GESB's financial and performance reporting, application of accounting policies, financial management, internal control systems, business policies and practices, compliance with applicable laws and regulations, and monitoring the management of business risks.

The members of the Audit and Risk Committee during 2008/09 and the number of meetings which they attended are indicated in the table below:

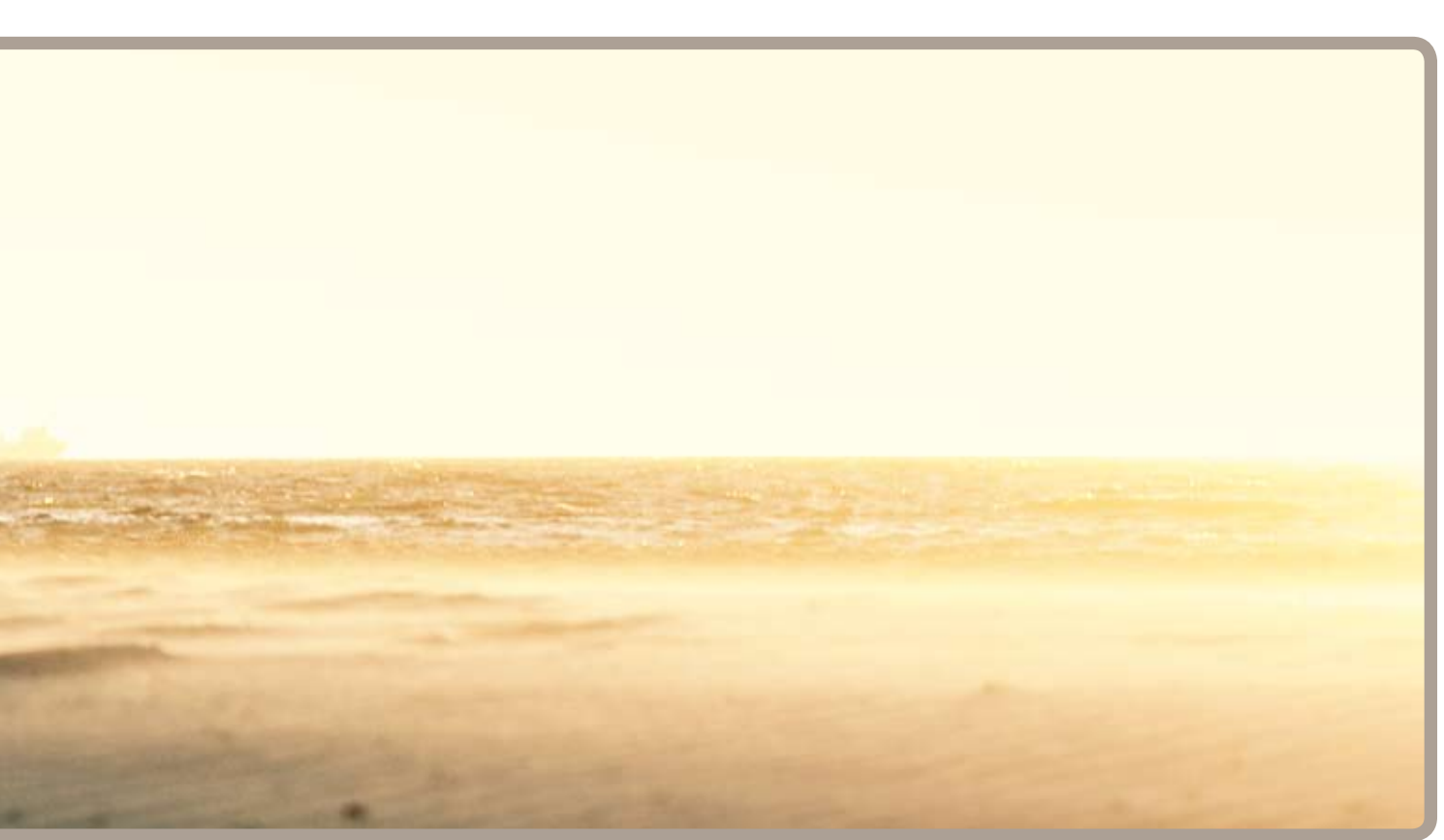
Member	No. of meetings held whilst a member	No. of meetings member attended
Harvey Collins	7	7
Matt Farrell	7	7
Robert Lewtas	7	7

CHIEF EXECUTIVE OFFICER PERFORMANCE COMMITTEE

The Board's Chief Executive Officer Performance Committee monitors the Chief Executive Officer's performance in accordance with the governance policies.

The members of the Chief Executive Officer Performance Committee and the number of meetings which they attended during the 2008/09 period are indicated below:

Member	No. of meetings held whilst a member	No. of meetings member attended
Phil Harvey	2	2
Matt Farrell	2	2



INVESTMENT COMMITTEE

The Investment Committee assists the Board in carrying out its responsibility to discharge its statutory, regulatory and fiduciary responsibilities in relation to the prudent management and investment of the assets of the Government Employees Superannuation Fund.

The Investment Committee was established in April 2009 and comprises both Board Directors and external appointees. The number of meetings which the Committee members attended is indicated in the table below.

Member	No. of meetings held whilst a member	No. of meetings member attended
Richard Alder	1	1
Harvey Collins	1	0
Andre Morony	1	1

Other Board Committees

CORPORATE GOVERNANCE COMMITTEE

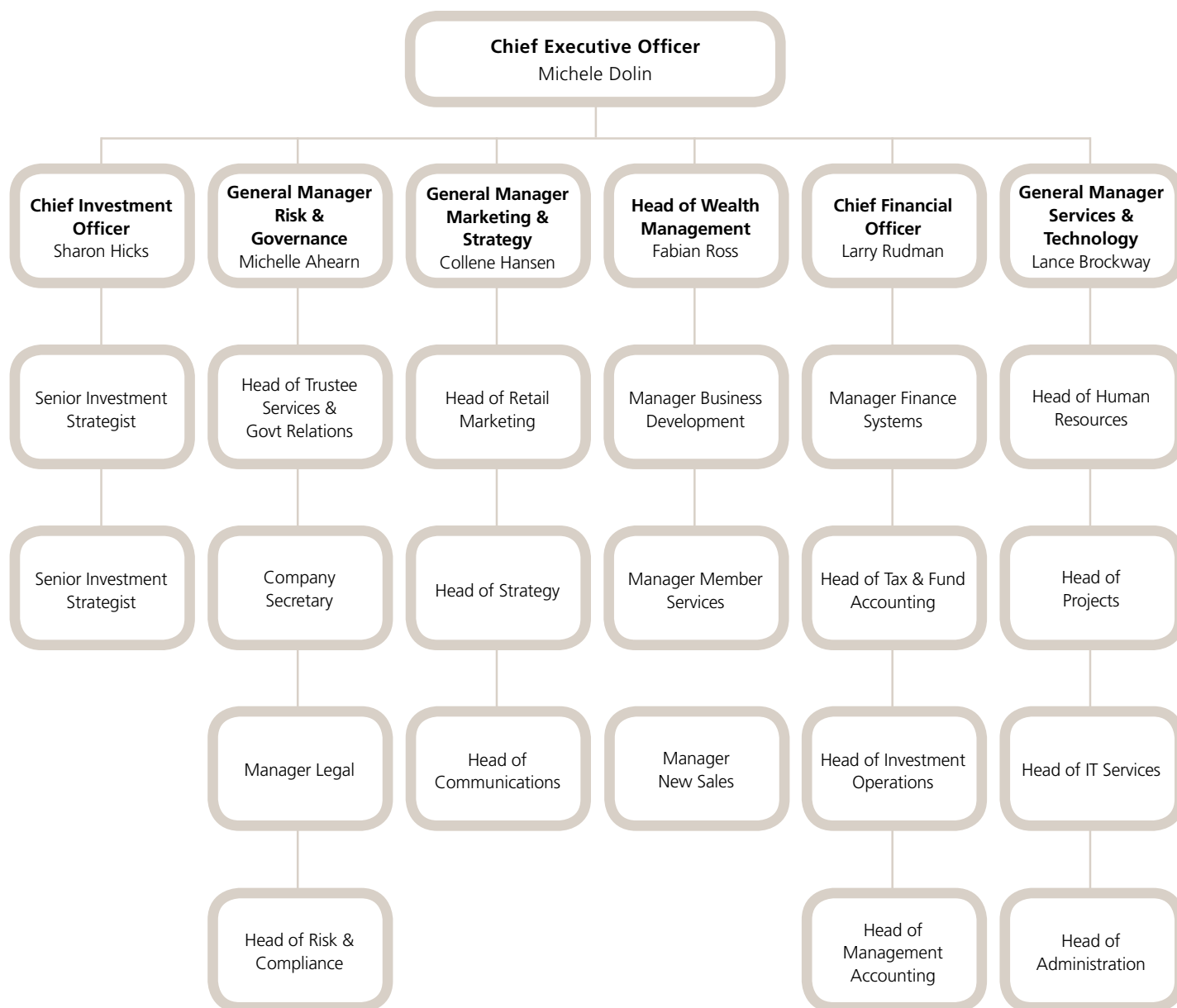
The Corporate Governance Committee reviews and informs the Board of corporate governance issues. It maintains a comprehensive corporate governance policy framework and ensures the corporate governance policies conform with best practice to the extent practicable. It also monitors corporate governance compliance and instigates action to address areas of non-compliance.

The Board discontinued the GESB Board Corporate Governance Committee when mutualisation was imminent, with the Board as a whole retaining responsibility for dealing with corporate governance issues and policies. The Corporate Governance Committee did not meet during 2008/09. In April 2009, given the ongoing delay in mutualisation, the Board approved the reinstatement of the Board's Corporate Governance Committee.

BOARD CHOICE COMMITTEE

In 2007/08 a Board Choice Committee was established by the Board to overview GESB's response to public sector employees having choice of superannuation fund and to support management through the implementation of the mutualisation. The Board Choice Committee was disbanded in 2008 when mutualisation was imminent with the Board as a whole retaining responsibility for dealing with issues related to mutualisation. The Committee did not meet during 2008/09.

Organisational Structure



Compliance Requirements



HEADS OF GOVERNMENT AGREEMENT

The Western Australian Government is a signatory to a Heads of Government Agreement (HOGA) with the Commonwealth in respect of GESB's schemes. Under the HOGA, in recognition of the circumstances surrounding GESB's schemes (such as the complex nature of the defined benefit schemes, the public accountability of the schemes, the State laws governing the schemes and State prudential controls), the Commonwealth agreed to exempt GESB's schemes from the Superannuation Industry (Supervision) Act 1993, the Commonwealth governing legislation for superannuation funds. The Superannuation Industry (Supervision) Act gives effect to this agreement by providing that GESB's schemes are complying superannuation funds for superannuation guarantee and income tax purposes.

In return for these exemptions, the State Government ensures that members' accrued benefits will be fully protected and that GESB's schemes conform to the principles of the Commonwealth's Retirement Income Policy.

FREEDOM OF INFORMATION

GESB provides members with access to all of their personal and account information. An information statement that provides background on the operations of GESB, a description of the documents held and the way in which the public can access the information is readily available on the website and at reception.

GESB's designated freedom of information officer is Ms Irene Albion c/ GESB, Central Park Level 4, 152 St Georges Terrace, Perth WA 6000.

COMPLIANCE WITH THE PUBLIC SECTOR STANDARDS

GESB has complied with the Public Sector Standards in Human Resource Management and the Western Australian Public Sector Code of Ethics.

GESB continues to monitor and ensure compliance with the Code of Ethics. GESB also has an internal Code of Conduct and makes both of these documents available to all employees through GESB's intranet and is provided to all new staff during induction. GESB actively monitors email activity and prevents certain material from being received and/or sent using GESB's IT systems.

NUMBER OF FULL TIME EMPLOYEES AS AT 30 JUNE 2009

Permanent Public Service Officers	86
Fixed Term Public Service Officers	0
GESB Employees	135
Total	221

HEALTH AND SAFETY INDICATORS

Compensation payments	\$ 0
Occupational Health and Safety costs	\$4,543
Number of occurrences	0
Workers' compensation premium	\$51,301

GESB adopts a preventative approach, consistent with the principal objective of the Occupational Safety and Health Act 1984, to promote and secure the safety and health of persons in the workplace. A comprehensive induction process, easily accessible web information and ongoing strategies and initiatives are in place to promote staff safety and well-being.

The OHS Management Framework comprises a Health, Safety and Wellbeing Policy, Occupational Health and Safety Manual and an Injury Management System [IMS]. GESB's Business Continuity procedures specifically provide for employee safety and well-being through a Human Resources Sub-Plan, People Support Plan and Pandemic Management Plan, along with supporting procedures.

GESB promotes employee well-being through access to a suite of flexible work practices and a full and popular annual calendar of initiatives via the GESB Goodlife program.

EQUAL EMPLOYMENT OPPORTUNITY

Equal employment opportunity performance is measured by an equity index. An equity index of 100 indicates an even distribution of men and women across all levels of an organisation. GESB achieved an equity index of 82.1 in 2008/09.

DISABILITY SERVICES ACT 1993

GESB is committed to providing our members with access to information about superannuation options and entitlements regardless of impairment. GESB ensures members have different ways of receiving information about their superannuation, including email with links to information, internet, telephone and face to face communication, so members can choose a communication channel that best suits their needs. For example, statements are provided in a format suitable for vision impaired members. Members are also provided with a variety of methods by which they can provide feedback to GESB as well as participate in a range of consultative processes informing our product and service design. These also include access to email, telephone and various forms of face to face communication. Prospective employees can also use online communication channels to find out about job vacancies through the GESB website.

GESB's Disability Access and Inclusion Plan was reviewed in 2008/09 and our current policies and strategies were assessed as being current and valid meeting the required standards.

CORRUPTION PREVENTION

Enhanced anti-fraud and anti-corruption practices continued to be integrated into GESB's compliance program.

Application of the Fraud Control Policy continued, consistent with industry practice and the relevant Australian Standards, APRA guidelines and state legislation where applicable (i.e. Public Interest Disclosure Act 2003 and Corruption and Crime Commission Act 2003).

Fraud risk assessments were conducted for the Finance and Administration areas in early 2009. The remaining business units will be completed by the end of 2009. Specific recurring compliance tasks were created to remind managers to ensure that the controls identified in the assessments for each division are applied.

The KPMG internal audit report on the fraud risk management framework assessed GESB's fraud and corruption control practices as 'approaching better practice' in terms of their capacity to control the risks of fraud and corruption.

PUBLIC INTEREST DISCLOSURE

GESB's public interest disclosure policy and procedures continue to be maintained in compliance with the Public Interest Disclosure Act 2003. This facility provides GESB directors and staff with a confidential means of disclosing public interest information. No public interest disclosures were made in 2008/09.

RECORD KEEPING PLANS

GESB, in keeping with commitments to the State Records Office and the movement to a new regulatory environment, is reviewing the efficiency and effectiveness of its record keeping systems and procedures. Corporate records classification and associated management processes are being updated to reflect an increased bias to electronic records.

GESB has expanded its business contingency plans to allow for continued access to corporate records and systems post mutualisation.

ELECTORAL ACT

Section 175ZE of the *Electoral Act 1907* requires the disclosure of details of expenditure incurred during the year for advertising agencies, market research organisations, polling organisations, direct mail organisations and media advertising organisations.

Advertising Agencies

Marketforce Communications	\$263,267
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Market Research Organisations

TNS	\$49,200
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Polling Organisations	Nil
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Direct Mail Organisations	Nil
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Media Advertising Organisations

Media Decisions	\$566,852
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Total	\$875,319
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Figures include expenditure (ext GST) on the design, production and placement of advertising and related market research.

SUSTAINABILITY

GESB operates a sustainability action plan to deliver positive outcomes for members, staff and the wider community by applying a triple bottom line approach to sustainability across the dimensions of economic, social and environmental outcomes. The key actions from the 2008/09 Sustainability Action Plan were to:

- Provide members with competitive superannuation, retirement and financial advice products and services
- Improve environmental performance by minimising waste and resource consumption and maximising recycling
- Encourage employees to embrace sustainability and diversity initiatives.

GESB is no longer required to report on our compliance to the Sustainability Code of Practice, however GESB provides this update as the final action in complying with the previous requirement within the Sustainability Code of Practice framework.

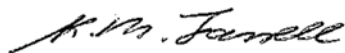
Certification of the Financial Statements

The accompanying Financial Statements of the Government Employees Superannuation Board, have been prepared in compliance with the provisions of the *Financial Management Act 2006* from proper accounts and records, to present fairly the financial transactions for the financial year ended 30 June 2009, and the financial position as at 30 June 2009.

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



L RUDMAN
CHIEF FINANCIAL OFFICER
27 August 2009



K M FARRELL
DEPUTY CHAIRMAN
27 August 2009



P J HARVEY
CHAIRMAN
27 August 2009

Financial Statements



Statement of Changes in Net Assets for the Year Ended 30 June 2009

	NOTES	2009 \$'000	2008 \$'000
REVENUE			
INVESTMENT REVENUE			
Realised Income	3	366,898	365,928
Realised Changes in Net Market Value of Investment Assets	3	(864,656)	65,494
Unrealised Changes in Net Market Value of Investment Assets	3	(501,271)	(1,177,395)
Total Investment Revenue		(999,029)	(745,973)
SUPERANNUATION REVENUE			
Contributions Income			
Member		381,242	568,513
Employer	5(a)	1,069,878	1,071,233
Inward Transfer from Other Funds		108,015	209,046
Total Superannuation Revenue		1,559,135	1,848,792
OTHER REVENUE			
Group Life Insurance Proceeds		7,420	-
Other Income	5(d)	10,194	1,571
Total Other Revenue		17,614	1,571
Changes in Net Market Value of Financial Liabilities	23	-	9,487
Total Revenue		577,720	1,113,877
EXPENSES			
Superannuation Benefit Payments	5(b)	695,757	1,018,670
Group Life Insurance Premium	5(c)	74,672	3,709
Administration Expenses	10	45,870	43,656
Direct Investment Expenses	3	25,974	29,765
Changes in Net Market Value of Other Assets	32	3,495	2,839
Changes in Net Market Value of Financial Liabilities	23	26,366	-
Loan Interest	17	33,237	34,669
Advance payment to GESB Mutual Ltd	22	11,000	-
Total Expenses		916,371	1,133,308
CHANGE IN NET ASSETS BEFORE INCOME TAX		(338,651)	(19,431)
INCOME TAX EXPENSE	11(a)	(29,214)	(35,055)
CHANGE IN NET ASSETS AFTER INCOME TAX		(367,865)	(54,486)
NET ASSETS AVAILABLE TO PAY BENEFITS AT THE BEGINNING OF THE FINANCIAL YEAR		8,312,363	8,366,849
NET ASSETS AVAILABLE TO PAY BENEFITS AT THE END OF THE FINANCIAL YEAR		7,944,498	8,312,363

To be read in conjunction with the accompanying notes.

Statement of Net Assets as at 30 June 2009

	NOTES	2009 \$'000	2008 \$'000
ASSETS			
Investment Assets			
Cash and Cash Equivalents	2	31,624	54,030
Investments	3	8,569,525	9,056,218
Derivative Financial Assets	4(b)	100,240	86,318
Other Assets			
Receivables	14(a)	187,041	344,384
Deferred Tax Asset	11(c)	9,594	3,395
Prepayments		1,390	434
Plant and Equipment	13	2,364	2,443
Intangible Assets	33	11,910	11,103
Total Assets		8,913,688	9,558,325
LIABILITIES			
Derivative Financial Liabilities	4(b)	11,951	65,900
Contributions Paid in Advance		1,006	707
Payables	14(b)	437,242	664,022
Provision for Employee Benefits	15	3,894	4,097
Provision for Post Employment Benefits	16	2,669	3,024
Interest Bearing Loans and Borrowings	17	490,679	489,253
Current Tax Liabilities	11(c)	21,749	18,959
Total Liabilities		969,190	1,245,962
NET ASSETS AVAILABLE TO PAY BENEFITS		7,944,498	8,312,363

To be read in conjunction with the accompanying notes.

Notes to and forming part of the Financial Statements for the Year Ended 30 June 2009.

Note 1: Statement of Significant Accounting Policies

(a) BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements constitute a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, including AAS25 Financial Reporting by Superannuation Plans as amended by AASB 2005-13 Amendments to Australian Accounting Standards (AAS25), and other authoritative pronouncements of the Australian Accounting Standards Board (AASB) as applied by the Treasurer's Instructions (TI) and the *State Superannuation Act 2000*. Several of these accounting standards are modified by the TI to vary application, disclosure, format and wording.

The *Financial Management Act 2006* and the TI are legislative provisions governing the preparation of financial statements and take precedence over Australian Accounting Standards and other authoritative pronouncements of the AASB. 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 material or significant financial effect upon the reported results, details of that modification and where practicable, the resulting financial effect, are disclosed in individual notes to these financial statements.

The financial statements have been prepared on the accrual basis of accounting using the historical cost convention, except for investments, derivatives and certain financial liabilities which are measured at net market value.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000), unless otherwise stated.

The judgements that have been made in the process of applying GESB's accounting policies that have the most significant effect on the amounts recognised in the financial statements are included at Note 27.

The key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are included at Note 28.

The accounts have been prepared in accordance with the reporting format prescribed under paragraph 22(a) of AAS 25. This Standard applies to general purpose financial reports of each superannuation plan in the private or public sector that is a reporting entity.

GESB has both defined contribution and defined benefit schemes. The Standard states that in this circumstance, 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 Statement of Net Assets of amounts accrued to the benefit of members' accounts for any of the schemes.

(b) APPLICATION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (AIFRS)

The AASB chose to retain AAS25 and did not include the IFRS equivalent, IAS26 "Accounting and Reporting by Retirement Benefit Funds" in the original AIFRS suite of standards. Other Australian Accounting Standards, which are AIFRS standards, have been applied where necessary except to the extent that they differ from AAS25.

(c) EARLY ADOPTION OF STANDARDS

GESB cannot early adopt an Australian Accounting Standard or Australian Accounting Interpretation unless specifically permitted by TI 1101 'Application of Australian Accounting Standards and Other Pronouncements'. Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting period ended 30 June 2009. These are outlined in the table below:-

AASB AMENDMENT/ STANDARD	TITLE	SUMMARY	NATURE OF CHANGE TO ACCOUNTING POLICY	APPLICATION DATE FOR GESB*
AASB 101 (Revised), AASB 2007-8 and AASB 2007-10	Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards	Introduces a statement of comprehensive income. Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassifications of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of the financial statements.	No change to accounting policy.	1 July 2009
AASB 2008-3	Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127	Amending Standard issued as a consequence of revisions to AASB 3 and AASB 127.	No change to Accounting Policy	1 July 2009
AASB 2008-5 and AASB 2008-6	Amendments to Australian Accounting Standards arising from the Annual Improvements Project	The improvements project is an annual project that provides a mechanism for making non-urgent, but necessary, amendments to IFRS's. The IASB has separated the amendments into two parts: Part I deals with changes the IASB identified resulting in accounting changes; Part II deals with either terminology or editorial amendments that the IASB believes will have minimal impact. This was the first omnibus of amendments issued by the IASB arising from the Annual Improvements Project and it is expected that going forward, such improvements will be issued annually to remove inconsistencies and clarify wording in the standards. The AASB issued these amendments in two separate amending standards; one dealing with the accounting changes effective from 1 January 2009 and the other dealing with amendments to AASB 5, and AASB 6, which will be applicable from 1 July 2009	No change to Accounting Policy	1 July 2009
AASB 2008-8	Amendments to Australian Accounting Standards – Eligible Hedged Items	The amendment to AASB 139 clarifies how the principles underlying hedge accounting should be applied when (i) a one-sided risk in a hedged item is being hedged and (ii) inflation in a financial hedged item existed or was likely to exist.	No change to Accounting Policy	1 July 2009
AASB 2008-9	Amendments to AASB 1049 for consistency with AASB 101	Reflects the revised requirements of AASB 101 and AASB 2007-8 with clarification to apply the requirements in a government context.	No change to Accounting Policy	1 July 2009

* designates the beginning of the applicable annual reporting period.

AASB AMENDMENT/ STANDARD	TITLE	SUMMARY	NATURE OF CHANGE TO ACCOUNTING POLICY	APPLICATION DATE FOR GESB*
AASB 2009-2	Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments [AASB 4, AASB 7, AASB 1023 & AASB 1038]	<p>The main amendment to AASB 7 requires fair value measurements to be disclosed by the source of inputs, using the following three-level hierarchy:</p> <ul style="list-style-type: none"> • quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); • inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and • inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3). <p>These amendments arise from the issuance of <i>Improving Disclosures about Financial Instruments (Amendments to IFRS 7)</i> by the IASB in March 2009.</p> <p>The amendments to AASB 4, AASB 1023 and AASB 1038 comprise editorial changes resulting from the amendments to AASB 7.</p>	This is an amendment to disclosures and as such will have no impact on the amounts included in the financial statements.	1 July 2009
AASB 2009-4	Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2 and AASB 138 and AASB Interpretations 9 & 16]	<p>The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting.</p> <p>The main amendment of relevance to Australian entities is that made to IFRIC 16 which allows qualifying hedge instruments to be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements in AASB 139 that relate to a net investment hedge are satisfied. More hedging relationships will be eligible for hedge accounting as a result of the amendment.</p> <p>These amendments arise from the issuance of the IASB's <i>Improvements to IFRS's</i>.</p>	No change to Accounting Policy	1 July 2009
AASB 2009-Y	Amendments to Australian Accounting Standards [AASB 5, 7, 107, 112, 136 & 139 and Interpretation 17]	These comprise editorial amendments and are expected to have no major impact on the requirements of the amended pronouncements.	No change to Accounting Policy	1 July 2009

* designates the beginning of the applicable annual reporting period.

AASB AMENDMENT/ STANDARD	TITLE	SUMMARY	NATURE OF CHANGE TO ACCOUNTING POLICY	APPLICATION DATE FOR GESB*
Amendments to International Financial Reporting Standards	Amendments to IFRS 2	<p>The amendments clarify the accounting for group cash-settled equity-based payment transactions, in particular:</p> <ul style="list-style-type: none"> the scope of AASB 2; and the interaction between IFRS 2 and other standards. <p>An entity that receives goods or services in an equity-based payment arrangement must account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in equities or cash.</p> <p>A “group” has the same meaning as in IAS 27 <i>Consolidated and Separate Financial Statements</i>, that is, it includes only a parent and its subsidiaries.</p> <p>The amendments also incorporate guidance previously included in IFRIC 8 <i>Scope of IFRS 2</i> and IFRIC 11 <i>IFRS 2—Group and Treasury Share Transactions</i>. As a result, IFRIC 8 and IFRIC 11 have been withdrawn.</p>	GESB has yet to determine the extent of the impact of the amendments, if any.	1 July 2010

* designates the beginning of the applicable annual reporting period.

If these accounting standards had been adopted, we do not believe that there would have been a material impact to either the Statement of Changes in Net Assets for the year ended 30 June 2009 or the Statement of Net Assets as at 30 June 2009.

(d) INVESTMENTS AND DERIVATIVES

Investments and derivatives are initially recognised at the fair value of the consideration given.

After initial recognition, investments and derivatives have been measured at net market value after allowing for estimated costs of realisation. Changes in the net market value of investments and derivatives are brought to account in the Statement of Changes in Net Assets, in the period in which they occur.

Net market values have been determined as follows:

- Equities in listed companies and other listed securities by reference to relevant market quotations at 30 June each year, at last sale price quoted by the relevant Stock Exchange at the close of business on the balance date.
- Units in managed funds by reference to redemption prices determined by the managers of the funds at 30 June each year.
- Derivatives are measured at market rates at close of business on the balance date.
- Unlisted unit trusts are recorded at the redemption value per unit as reported by the managers of such trusts. These values are verified by confirming unit holdings and movements in unit prices against appropriate market indices.

Estimated costs of realisation have been deducted in determining net market value. Net market value is considered a reasonable approximation of fair value.

Purchases and sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place are recognised on the trade date i.e. the date that the Fund commits to purchase or sell the asset.

(e) PLANT AND EQUIPMENT

Plant and equipment is carried at written down value and depreciated using the straight line method over their expected useful life ranging from four years to eleven years, depending on the nature and use of the asset. Written down value is considered a reasonable approximation of net market value.

Items costing less than \$1,000 are expensed in the year of acquisition.

Derecognition

An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use.

Impairment of assets

Plant and equipment is tested for any indication of impairment at each reporting date. Where there is an indication of impairment, the recoverable amount is estimated. Where the recoverable amount is less than the carrying amount, the asset is written down to the recoverable amount and an impairment loss is recognised. As GESB is a not-for-profit entity, unless an asset has been identified as a surplus asset, the recoverable amount is the higher of an asset's fair value less costs to sell and the depreciated replacement cost.

The risk of impairment is generally limited to circumstances where an asset's depreciation is materially understated or where the replacement cost is falling. Each relevant class of assets is reviewed annually to verify that the accumulated depreciation reflects the level of consumption or expiration of asset's future economic benefits and to evaluate any impairment risk from falling replacement costs.

The recoverable amount of assets identified as surplus assets is the higher of fair value less costs to sell and the present value of future cash flows expected to be derived from the asset. Surplus assets carried at fair value have no risk of material impairment. Surplus assets at cost are tested for indications of impairments at each reporting date.

(f) INTANGIBLE ASSETS

All acquired and internally developed intangible assets are initially measured at cost.

The cost model is applied for subsequent measurement requiring the asset to be carried at cost less any accumulated amortisation and any accumulated impairment losses, which is considered a reasonable approximation of net market value.

Amortisation for intangible assets with finite useful lives is calculated for the period of the expected benefit (estimated useful life) on the straight line basis using rates which are reviewed annually. All intangible assets controlled by GESB have a finite useful life and zero residual value. The expected useful lives for each class of intangible asset are:

Computer software costs	3-5 years
Computer software development projects	3-5 years
Web site costs	5 years

Computer software costs

Acquired computer software items costing less than \$1,000 are expensed in the year of acquisition. Where the computer software is an integral part of the related hardware, it is treated as plant and equipment. Where the computer software is not an integral part of the related hardware, it is treated as an intangible asset.

Computer software development projects

The costs for computer software development projects are expensed when they are incurred unless they relate to acquisition and/or development of an asset when they may be capitalised and amortised. Costs in relation to feasibility studies during the planning phase of a project and training costs after implementation of the software system are expensed. Costs incurred in developing the system specifications and implementation, to the extent that they represent future economic benefits that can be reliably measured, are accumulated as "Works in Progress" until the asset is finalised and in production, at which time costs are capitalised and amortised over their estimated useful life.

Web site costs

Web site costs are charged as expenses when they are incurred unless they relate to the acquisition or development of an asset when they may be capitalised and amortised. Costs in relation to feasibility studies during the planning phase of a web site, and ongoing costs of maintenance during the operating phase are expensed. Costs incurred in building or enhancing a web site, to the extent that they represent probable future economic benefits that can be reliably measured, are accumulated as "Works in Progress" until finalised and in production, at which time costs are capitalised and amortised over estimated useful life.

Impairment of assets

Intangible assets are tested for any indication of impairment at each reporting date. Where there is an indication of impairment, the recoverable amount is estimated. Where the recoverable amount is less than the carrying amount, the asset is written down to the recoverable amount and an impairment loss is recognised. As GESB is a not-for-profit entity, unless an asset has been identified as a surplus asset, the recoverable amount is the higher of an asset's fair value less costs to sell and the depreciated replacement cost.

The risk of impairment is generally limited to circumstances where an asset's amortisation is materially understated or where the replacement cost is falling. Each relevant class of assets is reviewed annually to verify that the accumulated amortisation reflects the level of consumption or expiration of asset's future economic benefits and to evaluate any impairment risk from falling replacement costs.

Intangible assets not yet available for use are tested for impairment at each reporting date irrespective of whether there is any indication of impairment.

The recoverable amount of assets identified as surplus assets is the higher of fair value less costs to sell and the present value of future cash flows expected to be derived from the asset. Surplus assets carried at fair value have no risk of material impairment. Surplus assets at cost are tested for indications of impairments at each reporting date.

(g) INCOME TAX EXPENSE

The Commonwealth *Income Tax Assessment Regulations 1997* were amended on 30 June 1997, providing that schemes established by section 29 of the *State Superannuation Act 2000* are to be constitutionally protected. The following schemes administered by GESB are constitutionally protected and therefore exempt from income tax:

- Pension Scheme (including Provident Account)
- Gold State Super
- West State Super

Retirement products were introduced for members as taxed schemes within the Fund and are subject to income tax.

Retirement Income Allocated Pension commenced on 19 March 2003 and is a complying superannuation Fund under the *Superannuation Industry (Supervision) Act 1993* and accordingly is concessionally taxed.

Retirement Income Term Allocated Pension commenced on 17 December 2004 and is a complying superannuation Fund under the *Superannuation Industry (Supervision) Act 1993* and accordingly is concessionally taxed.

GESB Super and GESB Super (Retirement Access) are complying superannuation funds under the *Superannuation Industry (Supervision) Act 1993* and accordingly are concessionally taxed.

All further references in the financial statements to GESB Super include both schemes.

GESB apportions investment income and expenses to the taxed and non-taxed components of the Fund on the basis of the proportion of funds under management. Other expenses are apportioned on the basis of actual or allocated cost.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting surplus nor taxable surplus or deficit.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that a taxable surplus will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised. However, this would not apply where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting surplus nor the taxable surplus or deficit.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable surplus will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(h) REVENUE RECOGNITION

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Changes in net market value

Changes in the net market value of investments and derivatives are calculated as the difference between the net market value at sale, or at balance date, and the net market value at the previous valuation point. All changes are recognised in the Statement of Changes in Net Assets.

Contributions and Transfers In

Contributions and transfers in are recognised when control of the asset has been attained and are recorded, gross of any tax, in the period to which they relate.

Interest

Interest income is recognised using the effective interest method.

Group Life Insurance Proceeds

Insurance claim amounts are recognised where the insurer has agreed to pay the claims lodged and has transferred the claim amount to the Fund.

(i) 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 the 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 the reporting date. For defined benefit schemes, 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. For defined contribution schemes, this has been calculated as the difference between the carrying amount of the assets and the carrying amount of non-interest bearing liabilities at balance date.

The liability for accrued benefits is measured annually at the reporting date by the Actuary, Mercer, as part of a comprehensive actuarial review of the Fund.

(j) 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
- 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 Gold State Super and retention of their transferred service entitlements.

Provident Scheme – same vesting rights as the Pension Scheme except for redundancy:

- Subsidised Provident members made redundant do not have the right to a deferred pension.

- Non-subsidised Provident members made redundant do not have the right to a deferred pension or State subsidy.

Gold State Super, West State Super, Retirement Income Allocated Pension, Retirement Income Term Allocated Pension and GESB Super – full vesting from inception.

(k) 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. Benefits payable are valued at net market value which comprise the entitlements of members who ceased employment prior to the year end but had not been paid at that time. Benefits payable are settled within the industry standard of 30 days.

(l) INVESTMENT IN CONTROLLED ENTITIES

GESB is the sole unit-holder and beneficiary of the SB Investment Trust. The trust has assets of less than \$2,000 and no liabilities. The trust did not operate during the year and its term has been extended from 14 March 2007 to 15 March 2017.

GESB is the sole shareholder of GESB Wealth Management Pty Ltd (GWM), with total issued and paid-up capital of \$2,400,000. GWM commenced trading in April 2007 and its principal activity is to provide financial advice to members of superannuation schemes managed by GESB. As at 30 June 2009, GWM has total assets of \$1,459,124 (2008 - \$1,328,463) and total liabilities of \$300,670 (2008 - \$248,716). For the year ended 30 June 2009, GWM reported a total net profit after income tax of \$78,707 (2008 – net loss after income tax of \$807,421).

GESB is the sole unit-holder of the Macquarie Global Private Equity Fund. The investment is carried at net market value.

(m) EMPLOYEE BENEFITS

Long Service and Annual Leave - these benefits have been determined in accordance with the provisions of AASB 119 “Employee Benefits”. These benefits are assessed based on projected future remuneration rates at which the liabilities are expected to be paid. In addition, the long service leave liability also considers the experience of employee departures and periods of service. The liability for these benefits is disclosed as an aggregate amount that arise from employee benefits.

The liability for annual and long service leave expected to be settled within 12 months after the end of the reporting date is recognised and measured at the undiscounted amounts expected to be paid when the liabilities are settled. Long service leave expected to be settled more than 12 months after the end of the reporting date is measured at the present value of amounts expected to be paid when the liabilities are settled. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used. Leave liabilities are in respect of services provided by employees up to the reporting date.

Sick Leave - No liability has been raised for sick leave as these benefits are non vesting.

Superannuation - GESB's employees have an entitlement to superannuation under one of the schemes established under the *State Superannuation Act 2000*.

Employees may contribute to the Pension Scheme, a defined benefit pension scheme now closed to new members, or to the Gold State Super Scheme, a defined benefit lump sum scheme also closed to new members. Employees who are not members of either of these schemes become non-contributory members of West State Super or GESB Super. West State Super has been closed to new employees since April 2007. GESB contributes to these accumulation schemes in compliance with the State Superannuation Legislation (WA) which would satisfy the Commonwealth Government's *Superannuation Guarantee (Administration) Act 1992*.

An unfunded employer liability exists in relation to the employer share of pension benefits and the pre-transfer service liability for those employees who transferred to the contributory lump sum scheme (Gold State Super). 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 liabilities under these schemes are calculated separately for each scheme annually by GESB's Actuary, Mercer, using the projected unit credit method.

As per AASB 119 “Employee Benefits” and TI1106 “Transition to Australian Equivalents to International Financial Reporting Standards”, Gold State Super, West State Super and GESB Super are defined contribution plans where the current service superannuation contribution is paid by GESB for its employees. Per AASB119 and TI1106, the liability in relation to the transferred service of employees who transferred

from the Pension Scheme to Gold State Super is treated as a defined benefit plan. The Pension Scheme, as per AASB119 and TI1106, is treated as a defined benefit plan. The expected future benefit payments are discounted to present value using market yields at the reporting date on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

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

The superannuation expense of the defined benefit plans is made up of the following elements:

- Current service cost;
- Interest cost (unwinding of the discount);
- Actuarial gains and losses; and
- Benefits paid

Actuarial gains and losses of the defined benefit plans are recognised immediately as income or expense in the Statement of Changes in Net Assets.

The superannuation expense of the defined contribution plans is recognised as and when the contributions fall due.

Employment On-Costs - Employment on-costs, including workers' compensation insurance, fringe benefits tax and payroll tax, are not employee benefits and are recognised as liabilities and expenses when the employment to which they relate has occurred.

(n) RECEIVABLES AND PAYABLES

Receivables which generally have a term of 7 to 14 days are recognised at the amount receivable less any allowance for impairment. The collectability of receivables is reviewed on an ongoing basis and any receivables identified as uncollectible are written-off. The provision for uncollectible amounts (impaired receivables) is raised when debts are overdue and all reasonable efforts to recover these debts have been unsuccessful. Trade receivables are carried at nominal value, which approximates net market value.

Payables 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. Trade payables are normally settled within the payment terms stated on the invoice ranging from 30 to 90 days. Trade payables are carried at nominal value, which approximates net market value.

(o) GOODS AND SERVICES TAX (GST)

Revenues, expenses and assets, with the exception of receivables and payables, are recognised net of the amount of GST to the extent that the GST is recoverable from the taxation authority. Where GST is not recoverable, it is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.

Receivables and payables are stated inclusive of GST.

The net amount of GST recoverable from the taxation authority is included as part of receivables in the Statement of Net Assets.

(p) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include deposits held at call with a bank or financial institution and highly liquid investments, if any, with short periods to maturity which are readily convertible to cash on hand and are subject to insignificant risk of changes in value.

(q) SUPERANNUATION CONTRIBUTIONS (SURCHARGE) TAX

For constitutionally protected funds, the recording, assessment and collection of the superannuation contributions surcharge tax, commonly referred to as the 'superannuation surcharge', against members of the schemes administered by GESB is performed by the Australian Taxation Office (ATO). As a consequence, neither the expense nor the liability for the contributions surcharge has been recognised within these Statements. Effective 1 July 2002, payment arrangements for this tax liability can be made through GESB upon instructions from members. Members may instruct GESB to withhold a portion of their benefits to be held in trust pending the assessment of their tax liability. This amount will be placed in an interest bearing account, earning interest at CPI + 2%. When the tax liability is due, GESB will issue a cheque payable to the ATO on behalf of the member. Due to legislative changes, the superannuation surcharge will no longer apply in respect of superannuation benefits that accrue, contributions made or termination payments received from 1 July 2005. Assessments for the superannuation surcharge in respect of contributions and payments for the year ended 30 June 2005 and prior years will continue to be issued and remain payable.

(r) FINANCIAL INSTRUMENTS

Investments (other than cash at bank and in hand), are managed by a number of fund managers as detailed in Appendix 3 of the Annual Report. Each fund manager is required to invest the assets managed by it in accordance with the terms of a written investment mandate.

GESB has determined that appointment of these fund managers is appropriate for the Fund and is in accordance with the Fund's investment strategy.

GESB obtains regular reports from each fund manager on the nature of the investments made on its behalf and the associated risks.

(s) BORROWING COSTS

Borrowing costs are expensed as incurred. GESB does not currently hold qualifying assets but, if it did, the borrowing costs directly associated with this asset would be capitalised (including any other associated costs directly attributable to the borrowing and temporary investment income earned on the borrowing).

(t) PROVISIONS

Provisions are liabilities of uncertain timing and amount. GESB only recognises a provision where there is a present legal or constructive obligation as a result of a past event and when the outflow of economic benefits is probable and can be measured reliably. Provisions are reviewed at each Statement of Net Assets reporting date and adjusted to reflect the current best estimate.

(u) ACCRUED SALARIES

Accrued salaries represent the amount due to staff but unpaid at the end of the financial year, as the end of the last pay period for that financial year does not coincide with the end of the financial year. Accrued salaries are settled within a few days of the financial year end. GESB considers the carrying amount of accrued salaries to be equivalent to the net market value.

(v) DERECOGNITION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

A financial asset is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Fund transfers substantially all the risks and rewards of ownership of the asset.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

(w) LEASES

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Finance leases, which transfer to GESB substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that GESB will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the Statement of Changes in Net Assets on a straight-line basis over the lease term. Lease incentives are recognised in the Statement of Changes in Net Assets as an integral part of the total lease expense.

(x) INTEREST BEARING LOANS AND BORROWINGS

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at net market value.

Gains and losses are recognised in the Statement of Changes in Net Assets.

(y) COMPARATIVES

Comparative figures have been reclassified to be comparable with the figures presented in the current financial year where appropriate.

Note 2: Cash and Cash Equivalents

	2009 \$'000	2008 \$'000
Cash and cash equivalents	31,624	54,030

Cash and cash equivalents earn interest at floating rates based on daily bank deposit rates.

Note 3: Investment Income and Assets

INVESTMENT INCOME

	2008/2009				2007/2008			
	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								
Cash	1,429	-	-	1,429	1,065	-	-	1,065
Total Internally Managed	1,429	-	-	1,429	1,065	-	-	1,065
EXTERNALLY MANAGED PORTFOLIO ⁽ⁱ⁾								
Global Fixed Interest	110,575	86,906	15,516	212,997	108,450	161,740	(107,548)	162,642
Australian Equities	95,828	(272,166)	(104,403)	(280,741)	97,867	(49,491)	(342,669)	(294,293)
International Equities	59,417	(502,490)	(201,875)	(644,949)	91,456	(27,104)	(436,356)	(372,003)
Global Property	40,645	(173,982)	(135,355)	(268,692)	47,493	(25,776)	(283,542)	(261,825)
Cash	13,894	14,735	2,364	30,993	2,834	10,425	2,119	15,378
SRI Investments	4,576	(17,659)	(6,062)	(19,145)	4,036	(4,299)	(14,957)	(15,221)
Private Equity	17,390	-	(59,733)	(42,342)	(3,958)	-	8,556	4,598
Lower Risk Return	23,144	-	(11,723)	11,421	16,685	-	(2,998)	13,687
Total Externally Managed	365,469	(864,656)	(501,271)	(1,000,458)	364,863	65,494	(1,177,395)	(747,038)
TOTAL INVESTMENT REVENUE	366,898	(864,656)	(501,271)	(999,029)	365,928	65,494	(1,177,395)	(745,973)
Less: Investment Expenses								
External Fund Management Fees	21,182	-	-	21,182	24,093	-	-	24,093
Custodial Fees	2,069	-	-	2,069	2,595	-	-	2,595
General Administration Costs	471	-	-	471	1,082	-	-	1,082
Investment Administration Costs	2,252	-	-	2,252	1,995	-	-	1,995
Total Investment Expenses	25,974	-	-	25,974	29,765	-	-	29,765
NET INVESTMENT INCOME	340,924	(864,656)	(501,271)	(1,025,003)	336,163	65,494	(1,177,395)	(775,738)

(i) The comparatives for 2007/2008 have been restated to align with the 2008/2009 asset classes.

INVESTMENTS

	NOTES	30 JUNE 2009 NET MARKET VALUES \$'000	30 JUNE 2008 NET MARKET VALUES \$'000
INTERNALLY MANAGED PORTFOLIO			
Investment in GESB Wealth Management Pty Ltd		2,400	2,400
Sub-Total		2,400	2,400
EXTERNALLY MANAGED PORTFOLIO			
	(a), (b)		
Global Fixed Interest		2,198,526	2,917,874
Global Property		620,293	640,170
Australian Equities		1,989,401	2,135,203
International Equities		2,003,444	2,290,105
Cash	(c)	1,000,897	412,337
SRI Investments		89,275	86,992
Private Equity		336,490	284,920
Lower Risk Return		328,799	286,217
Sub-Total		8,567,125	9,053,818
TOTAL INVESTMENT PORTFOLIO		8,569,525	9,056,218

(a) 2007/09 COMPARATIVES

The comparatives for 2007/08 have been restated to align with the 2008/09 asset classes.

(b) EXTERNALLY MANAGED PORTFOLIO

The majority of the external investments are comprised of individual investment pools managed by Australian based fund managers, via GESB's custodian NAB Asset Servicing (NAS). See Appendix 3 of the Annual Report for the list of fund managers.

(c) CASH

	30 JUNE 2009 \$'000	30 JUNE 2008 \$'000
Macquarie Investment Management Ltd	749,993	412,336
Macquarie Treasury Fund	-	-
NAS Cash Accounts	250,903	-
SB Investment Trust	1	1
Total Cash	1,000,897	412,337

Note 4: Financial Risk Management Objectives and Policies

(a) OBJECTIVES, STRATEGIES, POLICIES AND PROCESSES

The Fund's principal financial instruments, other than derivatives, comprise units in pooled trusts, equities, fixed interest securities, cash and short-term deposits. The main purpose of these financial instruments is to generate a return on investment.

The Fund also has various other financial instruments such as receivables and payables, which arise directly from its operations. These are mainly current in nature.

The Fund does not directly enter into derivative transactions. Through its fund managers it may enter into derivative transactions, including fixed interest futures and foreign exchange contracts.

Risks arising from holding financial instruments are inherent in the Fund's activities, and are managed through a process of ongoing identification, measurement and monitoring. The main risks arising from the Fund's financial instruments are credit risk, market risk, price risk, foreign currency risk, interest rate risk and liquidity risk. GESB reviews and establishes policies for managing each of these risks and they are summarised below.

The Investment Division develops and manages the overall asset allocation of the various Plans/Schemes under GESB's control. It raises and makes recommendations on issues which it believes should be considered by the Board. The Board has developed a detailed investment policy, which sets out the strategies to be adopted to achieve a targeted rate of return. Under this policy, external specialist fund managers have been appointed and are monitored internally by GESB's Investment Division. The Board obtains regular reports from each fund manager and from its asset consultants, on the nature of the investments and their associated risks, including the receipt of formal Risk Management Statements as recommended by the Australian Prudential Regulation Authority.

In April 2009 an Investment Committee was established. This committee assists the Board in carrying out its responsibilities to discharge its statutory, regulatory and fiduciary responsibilities in relation to the prudent management and investment of the assets of the Fund.

(b) USE OF DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives are usually separated into three generic classes - forwards, options and swaps - although individual products may combine the features of more than one class. GESB makes use of derivative financial instruments through the portfolios held by its fund managers.

GESB has detailed guidelines regarding the use of synthetic and derivative instruments, which must be adhered to by GESB itself and its fund managers. The guidelines state that GESB may use synthetic and derivative instruments to manage exposures arising out of GESB's investment strategy providing that:

- In the view of GESB or its fund 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:
 - The portfolio will not be net short (ie. GESB shall have sufficient physical stock and bought synthetic or derivative instruments to cover its sold position); and
 - These instruments may not be used to gear the underlying position.

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

Under the investment strategy of GESB, 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 to leverage the investment portfolio.

In line with the organisation's market value accounting policy, derivatives are valued on a marked-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.

As at 30 June 2009 the significant derivative positions held by GESB's fund managers were as follows:

	2009 \$'000	2008 \$'000
DERIVATIVE ASSETS:		
Swaps	12,998	19,170
Futures	886	3,329
Warrants	-	41
Options	16	2,166
Forward Foreign Exchange Contracts	86,340	61,612
Total Derivative Assets	100,240	86,318
DERIVATIVE LIABILITIES:		
Swaps	6,256	49,062
Futures	1,054	6,359
Warrants	-	-
Options	1	546
Forward Foreign Exchange Contracts	4,640	9,933
Total Derivative Liabilities	11,951	65,900
TOTAL NET DERIVATIVES	88,289	20,418

(c) CREDIT RISK

Credit risk arises from the financial assets of GESB, which comprise cash and cash equivalents, receivables, investments and derivative financial instruments. Credit risk represents the risk that the counterparty to the financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss.

With respect to credit risk arising from the financial assets of the Fund, other than derivatives, the Fund's exposure to credit risk arises from default of the counterparty, with the current exposure equal to the net market value of these investments as disclosed in each applicable note. This does not represent the maximum risk exposure that could arise in the future as a result of changes in values, but best represents the current maximum exposure at the reporting date.

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values.

In accordance with the Fund's policy it minimises credit risk by undertaking transactions with a large number of creditworthy third parties in various countries. GESB does not have any significant exposure to any individual counterparty or industry other than the Government of Western Australia in respect of GESB's unfunded superannuation liability.

The Fund holds no collateral as security or other credit enhancements except for scrip lending as disclosed in Note 4(i).

In addition, receivable balances are monitored on an ongoing basis with the result that the Fund's exposure to bad debts is not significant.

Credit quality per class of financial instrument

A key indicator of assessing the credit quality of financial assets is through the use of credit ratings. The credit ratings used are the lower of Standard & Poor and/or Moody's rating categories, in accordance with the investment policy. Exposure in each grade is monitored on a periodic basis. This review process assists GESB to assess the potential loss as a result of risks and to take corrective action where necessary.

The table below shows the credit quality by class of asset for financial instruments.

AT 30 JUNE 2009	AAA TO AA- \$'000	A1+ TO A1 \$'000	A+ TO A- \$'000	BBB+ TO B- \$'000	CCC TO C \$'000	OTHER * \$'000	TOTAL \$'000
Financial assets held at net market value:							
Perpetual Securities	-	-	-	-	-	718	718
Fixed Interest Bonds	750,815	-	201,381	124,019	382	14,106	1,090,704
Indexed Annuities	23,248	-	-	3,038	-	5,987	32,273
Indexed Bonds	174,008	-	-	14,193	-	-	188,200
Floating Rate Notes	142,737	-	91,625	31,403	-	1970	267,734
Mortgage Backed Securities	380,306	-	7,950	2,113	454	31,821	422,644
Asset Backed Securities	29,152	-	473	2,962	767	4,951	38,305
Loans	-	-	-	-	-	2,079	2,079
Discount Securities	2,095	754,951	-	-	-	41,823	798,868
Cash and Deposits	-	-	-	-	-	495,802	495,802
	1,502,361	754,951	301,429	177,727	1,603	599,257	3,337,328

AT 30 JUNE 2008	AAA TO AA- \$'000	A1+ TO A1 \$'000	A+ TO A- \$'000	BBB+ TO B- \$'000	OTHER * \$'000	TOTAL \$'000
Financial assets held at net market value:						
Perpetual Securities	-	-	-	-	3,418	3,418
Fixed Interest Bonds	1,109,837	-	185,194	97,709	51	1,392,791
Indexed Annuities	27,399	-	-	3,162	7,066	37,627
Indexed Bonds	195,399	-	-	-	-	195,399
Floating Rate Notes	204,060	-	104,725	19,737	2,659	331,181
Mortgage Backed Securities	486,222	1,344	2,141	462	242	490,411
Asset Backed Securities	49,697	2,964	-	-	1,474	54,135
Loans	-	-	-	-	2,428	2,428
Discount Securities	17,387	420,482	-	988	19,665	458,522
Cash and Deposits	-	-	-	-	306,986	306,986
	2,090,001	424,790	292,060	122,058	343,989	3,272,898

* Represents financial assets which are not rated.

GESB's debt portfolio is managed consistent with investment restrictions and credit rating limits contained within each fund manager's mandate and individual investment agreements.

(d) MARKET RISK

Market risk relates to the risk of loss due to a change in market and economic conditions (eg. interest rate change, equity price fluctuations or exchange rate fluctuations). GESB 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.

Market risk comprises three types of risk: price risk, foreign currency risk and interest rate risk.

Market risk is minimised through ensuring that all investment activities are undertaken in accordance with established mandate limits and investment strategies.

The Fund also enters into derivative transactions, principally fixed interest swaps and foreign exchange contracts to further mitigate its market risks.

The market risk disclosures are prepared on the basis of the Fund's direct investment and not on a look through basis for investments held in the Fund.

i) Price Risk

Price risk is the risk that the net market value of investments in equities decreases or increases as a result of changes in market prices, whether those changes are caused by factors specific to the individual equity price or factors affecting all equities in the market. Price risk exposure arises from the Fund's investment portfolio.

To limit price risk the Fund diversifies its investment portfolio in line with its investment policy. Additionally, the Fund invests in other asset classes that tend to be negatively correlated to equities which may generate profits when equities generate losses. The Fund monitors its exposure to various indices on an ongoing basis throughout the year ensuring the mandate is not breached.

The effect on the Statement of Changes in Net Assets due to a reasonably possible change in market factors, as represented by the equity market indices, with all other variables held constant, is indicated in the table below.

CHANGE IN EQUITY PRICES		AFTER TAX CHANGE IN NET ASSETS AND NET ASSETS AVAILABLE TO PAY BENEFITS	
2009 %	2008 %	2009 \$'000	2008 \$'000
+/-10	+/-10	513,978/(513,952)	555,860/(555,860)

The sensitivity is based on reasonably possible changes expected over the following financial year using economic and financial forecasts published by one of the big four Australian banks. The analysis was performed on the same basis for 2008.

ii) Foreign Currency Risk

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

In GESB's agreement with its fund managers, and in accordance with the Fund's policy, the management of currency risk is covered in some detail. GESB's international fund managers are able to use transactions such as currency forward contracts and swaps in order to manage 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 securities or equities 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 fund managers. The risk is measured using sensitivity analysis.

GESB's exposure as at 30 June 2009 to foreign exchange rate movements on its international investments is as follows:

30 JUNE 2009	US DOLLAR A\$'000	EURO A\$'000	JAPANESE YEN A\$'000	BRITISH POUND A\$'000	OTHER CURRENCIES A\$'000	TOTAL A\$'000
ASSETS						
Financial Assets held at net market value	2,572,526	691,015	395,088	306,415	494,289	4,459,333
LIABILITIES						
Total Liabilities	(2,221,080)	(560,898)	(290,653)	(214,627)	(292,106)	(3,579,364)
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	351,446	130,117	104,435	91,787	202,183	879,969

30 JUNE 2008	US DOLLAR A\$'000	EURO A\$'000	JAPANESE YEN A\$'000	BRITISH POUND A\$'000	OTHER CURRENCIES A\$'000	TOTAL A\$'000
ASSETS						
Financial Assets held at net market value	3,464,138	1,198,597	614,826	735,115	735,123	6,747,799
LIABILITIES						
Total Liabilities	(3,223,363)	(1,070,364)	(519,349)	(636,754)	(440,074)	(5,889,903)
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	240,776	128,234	95,478	98,360	295,049	857,896

The table below analyses the sensitivity of the Fund's net assets to the movement of major currencies to which the Fund had significant exposure at 30 June 2009. The analysis calculates the effect of a reasonably possible movement of the currency rate against the Australian Dollar on the Statement of Changes in Net Assets, with all other variables held constant.

CURRENCY	CHANGE IN CURRENCY RATE		AFTER TAX CHANGE IN NET ASSETS AND NET ASSETS AVAILABLE TO PAY BENEFITS	
	2009 %	2008 %	2009 \$'000	2008 \$'000
USD/AUD	+/- 5	+/- 10	(16,395)/18,121	(21,518)/26,300
EUR/AUD	+/-5	+/- 5	(6,070)/6,709	(6,003)/6,635
Japanese Yen/AUD	+/-15	+/- 5	(13,345)/18,055	(4,470)/4,940
British Pound/AUD	+/-5	+/- 5	(4,282)/4,733	(4,605)/5,089
Other/AUD	+/-5	+/- 5	(9,432)/10,425	(13,812)/15,266

The sensitivity is based on reasonably possible changes expected over the following financial year using economic and financial forecasts published by one of the big four Australian banks. The analysis was performed on the same basis for 2008.

Management believe the balance date risk exposures are representative of the risk exposure inherent in the financial instruments.

iii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. In accordance with the Fund's policy this risk is managed by a combination of duration analysis and derivative positions to enhance the interest rate performance of the investment portfolio. The interest rate risk is measured using sensitivity analysis.

GESB invests in financial assets for the primary purpose of obtaining a return on investments. GESB'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.

INTEREST RATE RISK ON FINANCIAL ASSETS AND LIABILITIES

The table below summarises the fund's exposure to interest rate risks. It includes the Fund's assets and liabilities at net market value, categorised by maturity dates:

30 JUNE 2009	\$'000 FLOATING INTEREST RATE	\$'000 FIXED RATE 3 MONTHS OR LESS	\$'000 FIXED RATE 3 TO 12 MONTHS	\$'000 FIXED RATE 1 TO 5 YEARS	\$'000 FIXED RATE OVER 5 YEARS	\$'000 NON- INTEREST BEARING	\$'000 TOTAL
FINANCIAL ASSETS							
Perpetual Securities	-	-	-	-	718	-	718
Fixed Interest Bonds	-	10,377	29,107	517,715	530,983	2,522	1,090,704
Indexed Annuities	32,273	-	-	-	-	-	32,273
Indexed Bonds	188,200	-	-	-	-	-	188,200
Floating Rate Notes	267,734	-	-	-	-	-	267,734
Mortgage Backed Securities	422,644	-	-	-	-	-	422,644
Asset Backed Securities	38,305	-	-	-	-	-	38,305
Loans	2,079	-	-	-	-	-	2,079
Discount Securities	-	733,195	65,248	-	425	-	798,868
Cash and Deposits	418,292	77,510	-	-	-	-	495,802
Total Financial Assets	1,369,529	821,082	94,355	517,715	532,126	2,522	3,337,328
FINANCIAL LIABILITIES							
Interest Bearing Loans and Borrowings	-	14,544	43,632	232,705	199,798	-	490,679
Cash and Deposits	-	24,760	-	-	-	-	24,760
Total Financial Liabilities	-	39,304	43,632	232,705	199,798	-	515,439
30 JUNE 2008							
FINANCIAL ASSETS							
Perpetual Securities	-	-	-	-	3,418	-	3,418
Fixed Interest Bonds	-	9,637	74,346	732,480	576,328	-	1,392,791
Indexed Annuities	37,627	-	-	-	-	-	37,627
Indexed Bonds	195,399	-	-	-	-	-	195,399
Floating Rate Notes	331,181	-	-	-	-	-	331,181
Mortgage Backed Securities	490,411	-	-	-	-	-	490,411
Asset Backed Securities	54,135	-	-	-	-	-	54,135
Loans	2,428	-	-	-	-	-	2,428
Discount Securities	-	415,353	43,168	-	-	-	458,522
Cash and Deposits	306,986	-	-	-	-	-	306,986
Total Financial Assets	1,418,167	424,990	117,515	732,480	579,746	-	3,272,898
FINANCIAL LIABILITIES							
Interest Bearing Loans and Borrowings	-	14,544	43,632	232,705	198,372	-	489,253
Cash and Deposits	-	-	-	-	-	1,826	1,826
Total Financial Liabilities	-	14,544	43,632	232,705	198,372	1,826	491,079

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date:

At 30 June 2009, if interest rates had moved, as illustrated in the table below, with all other variables held constant, the change in net assets and net assets available to pay benefits would have been affected as follows:

JUDGEMENTS OF REASONABLY POSSIBLE MOVEMENTS:	AFTER TAX CHANGE IN NET ASSETS AND NET ASSETS AVAILABLE TO PAY BENEFITS	
	2009 \$'000	2008 \$'000
BASIS POINTS		
+/- 50 (2009) and +/- 50 (2008)	(54,963)/61,554	(76,996)/77,057

The movements in the change in net assets and net assets available to pay benefits are due to higher/lower interest costs from variable rate cash balances. The sensitivity is based on reasonably possible changes expected over the following financial year using economic and financial forecasts published by one of the big four Australian banks. The analysis was performed on the same basis for 2008.

(e) LIQUIDITY RISK

Liquidity risk is the risk that GESB will encounter difficulty in raising funds to meet commitments associated with financial liabilities.

To control liquidity risk, GESB invests substantially in financial instruments which, under normal market conditions, are readily convertible to cash. In addition, the Fund maintains sufficient cash and cash equivalents to meet normal operating requirements.

The Fund's significant financial liabilities are benefits payable to members.

In relation to the contractual maturity of vested superannuation benefits these would be considered on demand. On demand payments comprise the entire defined contribution component and the vested portion of the defined benefit component.

In accordance with the Fund's policy it manages its obligation to pay the defined contribution component on an expected maturity basis based on management's estimates and actuarial assumptions of when such funds will be drawn down by members. The Fund considers it is highly unlikely that all defined contribution members will request to roll over their superannuation Fund at the same time. Furthermore, in relation to the vested defined benefit component, the Fund has adequate resources readily convertible to cash to satisfactorily meet these obligations when called upon.

The Fund's other significant financial liability is an interest bearing loan which was entered into following successful negotiations with the State Government in regard to an agreed payment schedule to discharge the unfunded West State Super liability over twenty years. Refer Note 17.

Other financial liabilities of the Fund comprise trade, other payables and outstanding investment trade settlements which are contractually due within 30 days and derivative financial liabilities which are payable within 12 months.

The table below reflects the remaining contractual maturities of the interest bearing loan as of 30 June 2009.

	2009 \$'000	2008 \$'000
1 year or less	58,176	58,176
1-2 years	58,176	58,176
2-3 years	58,176	58,176
3-4 years	58,176	58,176
4-5 years	58,176	58,176
Over 5 years	407,233	465,410
	698,113	756,290

(f) CONCENTRATIONS OF RISK

Concentrations of risk arise when a number of financial instruments or contracts have the same features or have the same underlying exposure, where for example, they are entered into with the same counterparty, or when a number of counterparties are engaged in similar business activities, have activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

In order to avoid excessive concentrations of risk, GESB monitors its exposure to ensure concentrations of risk remains within acceptable levels as per the investment policy and imposes mandated limits on fund managers' use of derivative instruments and on maximum concentrations of risk tolerances.

The following table classifies the Fund's listed equity portfolio by industry sector as at 30 June 2009 and 30 June 2008:-

	\$'000	2009 %	\$'000	2008 %
Financials	1,071,081	27.51	1,119,778	25.69
Materials	624,757	16.04	905,247	20.77
Energy	383,599	9.85	448,400	10.29
Consumer Staples	378,915	9.73	364,294	8.36
Health Care	351,176	9.02	295,791	6.79
Industrials	315,190	8.09	393,822	9.04
Consumer Discretionary	239,002	6.14	254,974	5.85
Telecommunication Services	221,043	5.68	257,375	5.90
Information Technology	211,681	5.44	208,201	4.78
Utilities	97,416	2.50	110,864	2.54
Total	3,893,859	100.00	4,358,747	100.00

The following table analyses the Fund's investment portfolio by geographic regions (excluding the effect of foreign currency exposure as at 30 June 2009 and 30 June 2008):-

	\$'000	2009 %	\$'000	2008 %
Australia	4,892,496	58.64	4,631,565	53.18
United States	1,654,264	19.83	1,889,988	21.70
United Kingdom	285,170	3.42	364,470	4.18
Japan	230,659	2.76	241,513	2.77
France	203,420	2.44	291,789	3.35
Germany	201,681	2.42	237,932	2.73
Canada	131,144	1.57	152,468	1.75
Switzerland	119,608	1.43	137,933	1.58
Netherlands	95,765	1.15	76,075	0.87
Hong Kong	66,057	0.79	55,502	0.64
Other	463,470	5.55	630,076	7.23
Total	8,343,735	100.00	8,709,311	100.00

(g) NET MARKET VALUES OF FINANCIAL ASSETS AND LIABILITIES

The Fund's financial assets and liabilities adopted in the Statement of Net Assets are carried at their net market value which approximates their fair values.

Refer to Note 1 for the methods and assumptions adopted in determining the net market values of investments and derivatives.

As a result of developments in global markets, generally known as the global financial crisis, liquidity in some investment markets has decreased significantly. As a result, the volume of trading in many of the investments held by the Fund has decreased. Accordingly, the valuation of those investments is subject to a greater uncertainty and requires greater judgement than would be the case in normal investment market circumstances.

Net market values of financial assets and liabilities are determined by GESB 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 market value.

GESB does not enter into or hold any commodity contracts.

(h) UNITISED INVESTMENTS

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

(i) SCRIIP LENDING

GESB and the National Australia Bank (NAB) entered into a securities borrowing agreement under which legal title to certain of GESB's assets has been loaned to NAB, notwithstanding the fact that the risks and benefits of ownership of the assets remain with GESB. This agreement has been put in place to provide revenue which ultimately enhances the investment return of the Fund. As part of the securities borrowing agreement with GESB, the NAB obtains collateral from the borrower to cover the value of all assets subject to securities borrowing agreements in accordance with agreed principles and standard market practice. These assets are valued daily and the required collateral is adjusted accordingly.

The total value of assets on loan as at 30 June 2009 is \$418.0 million (2008: \$705.2 million).

Note 5: Employer Contributions, Benefit Payments and Other Income

	2009 \$'000	2008 \$'000
5(a): EMPLOYER CONTRIBUTIONS		
Pension Scheme		
Employer's Share of Pensions	227,900	224,283
Gold State Super		
Employer Contributions	39,746	41,164
Recoup of Past Service Liabilities	6,254	23,930
Recoup of Consolidated Fund Portion of Lump Sum Benefits	194,218	259,413
	240,218	324,507
West State Super		
Employer Contributions	449,480	427,882
Recoup of Treasury Unfunded Liabilities	58,176	58,176
	507,656	486,058
GESB Super		
Employer Contributions	94,103	36,385
Total Employer Contributions	1,069,878	1,071,233
5(b): SUPERANNUATION BENEFIT PAYMENTS		
Pension Scheme		
Pensions	233,730	232,124
Commutation Lump Sums	742	2,041
Refunds of Contributions & Interest	-	543
	234,472	234,708

	2009 \$'000	2008 \$'000
Gold State Super		
Retirement	55,367	113,126
Disability	16,102	25,502
Retrenchment/Death	7,906	12,853
Financial Hardship	3,939	22,490
Compassionate	210	-
Phased Retirement	9,148	57,078
Others	383	-
	93,055	231,049
West State Super		
Retirement	81,815	127,558
Disability	5,826	10,822
Retrenchment/Death	15,929	12,359
Family Law	691	1,754
Financial Hardship	599	1,213
Compassionate	1,829	730
Phased Retirement	88,151	61,907
Others	11,550	-
	206,390	216,343
GESB Super		
Retirement	69,707	264,166
Retrenchment/Death	1,174	86
Financial Hardship	30	1
Phased Retirement	6,122	-
Other	775	-
	77,808	264,253
Retirement Income – (Allocated Pension/Term Allocated Pension)		
Pension	40,747	32,122
Commutation Lump Sums	42,879	40,195
Death	363	-
Other	43	-
	84,032	72,317
Total Superannuation Benefits Payments	695,757	1,018,670
5(c): GROUP LIFE INSURANCE PREMIUMS		
GESB Super	9,536	3,709
West State Super	65,136	-
Total Group Life Insurance Premiums	74,672	3,709
5(d): OTHER INCOME		
Insurance administration fee	3,927	184
Service fee	2,399	1,357
Professional Indemnity insurance claims	3,868	-
Other	-	30
Total Other Income	10,194	1,571

Note 6: Liability for Accrued Benefits

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			PENSION SCHEME		
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Gross Accrued Benefits	5,313,568	4,724,852	2,574,403	2,422,045		

	WEST STATE SUPER		GESB SUPER		RETIREMENT INCOME		TERM ALLOCATED PENSION		TOTAL	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Gross Accrued Benefits	5,240,905	5,356,856	480,714	449,218	575,784	465,641	20,618	23,972	14,205,992	13,442,584

LIABILITY FOR ACCRUED BENEFITS RELATED TO FUNDED LIABILITIES

The liability for accrued benefits of the Fund, related to funded liabilities as at 30 June 2009, was calculated by GESB's Actuary, Mercer (Australia) Pty Ltd, with 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. The valuation was undertaken as part of the annual actuarial investigation and is in accordance with the provisions of Section 17 of the *State Superannuation Act 2000*.

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			PENSION SCHEME		
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Accrued Liability Related to Funded Liabilities	2,042,755	1,875,000	87,377	91,800		

	WEST STATE SUPER		GESB SUPER		RETIREMENT INCOME		TERM ALLOCATED PENSION		TOTAL	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Accrued Liability Related to Funded Liabilities	4,750,226	4,867,603	480,714	449,218	575,784	465,641	20,618	23,972	7,957,474	7,773,234

The main assumptions used to determine the actuarial value of accrued benefits at the last review date were:

- The future rate of investment returns (net of investment taxes and net of investment management fees) earned on the Fund's assets would be 7.5%.
- The future rate of salary inflation would be 4.5%.

UNFUNDED LIABILITIES IN RESPECT OF COMPLETED MEMBERSHIP

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

The Department of Treasury and Finance, for their own purposes, has determined the value of the unfunded liabilities of employers (i.e. the Government) which have arisen in respect of membership of the Fund up to 30 June 2009 based on advice from the actuarial firm, PricewaterhouseCoopers Securities Ltd. The PricewaterhouseCoopers Securities Ltd valuation of unfunded liabilities adopts a different discount rate to that adopted for funded liabilities. The discount rate adopted is a long-term bond rate at the reporting date, consistent with requirements of AASB119 Employee Benefits.

GESB'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		PENSION SCHEME		WEST STATE SUPER		GESB SUPER		RETIREMENT INCOME		TERM ALLOCATED PENSION		TOTAL	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Unfunded Liabilities in respect of Completed Membership	3,270,813	2,849,852	2,487,026	2,330,245	490,679	489,253	-	-	-	-	-	-	6,248,518	5,669,350

The unfunded liability in respect of West State Super stands at \$491m as at 30 June 2009. An agreement was reached with the State Government that this unfunded amount would be discharged over a 20 year period commencing 15 July 2001.

The unfunded liabilities relating to the West State Super for the current and previous years have been adjusted to reflect the market value of the WATC loan as prescribed by AAS 25.

The main assumptions used to determine the actuarial value of accrued benefits at the last review date were:

- The future rate of investment returns (net of investment taxes and net of investment management fees) earned on the Fund's assets would be 5.5%.
- The future rate of salary inflation would be 4.5%.

RESERVES

Movement in reserves

	2009 \$'000	2008 \$'000
Balance at 1 July	539,129	1,021,011
Amount debited to reserves	(156,029)	(481,882)
Balance at 30 June	383,100	539,129

The actuarial recommendation in relation to reserves is provided in Note 25: Summary of Actuarial Report.

Note 7: Vested Benefits

Vested benefits are benefits which are not conditional upon continued membership of the Fund (or any factor other than resignation from the Fund) and include benefits which members were entitled to receive had they terminated their Fund membership as at balance date.

Australian Accounting Standard AAS 25 requires the disclosure of vested benefits as at 30 June 2009. The latest determination of vested benefits was undertaken by GESB's Actuary, Mercer, 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		PENSION SCHEME	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Gross Vested Benefits	5,560,200	5,065,000	2,574,403	2,422,045

	WEST STATE SUPER		GESB SUPER		RETIREMENT INCOME		TERM ALLOCATED PENSION		TOTAL	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Gross Vested Benefits	5,279,397	5,363,306	480,714	449,218	575,784	465,641	20,618	23,972	14,491,116	13,789,182

The liability for vested benefits of the Fund related to funded liabilities as at 30 June 2009 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		PENSION SCHEME	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Vested Benefits Related to Funded Liabilities	2,329,199	2,146,000	87,377	91,800

	WEST STATE SUPER		GESB SUPER		RETIREMENT INCOME		TERM ALLOCATED PENSION		TOTAL	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Vested Benefits Related to Funded Liabilities	4,788,718	4,874,053	480,714	449,218	575,784	465,641	20,618	23,972	8,282,410	8,050,684

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

West State Super vested benefits are calculated on the assumption that all members exit the scheme on balance date and accordingly includes the full cost of the minimum benefits guarantee

Note 8: Guaranteed Benefits

The payment of benefits to members or their beneficiaries of the Pension Scheme, Provident Account, Gold State Super, West State Super, GESB Super, Retirement Income Allocated Pension and Retirement Income Term Allocated Pension is guaranteed by the State under Section 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 9: Employer Funding Arrangements

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 *State Superannuation Act 2000* (Gold State Super, West State Super and GESB Super) and the *Superannuation and Family Benefits Act 1938* (Pension Scheme) are summarised as follows:-

(a) PENSION 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.

(b) GOLD STATE SUPER

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.

In the latter 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 Gold State Super contribution to GESB and these are credited direct to a Department of Treasury and Finance bank account.

The employer contribution rate for 2008/09 for contributory members was 12% (2007/08: 12%) 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 2008/09 was assessed at 70.59% (2007/08: 70.59%) of the contributory service benefit and is payable at the time payment is made to the member.

In response to the impact of the Global Financial Crisis on the assets of the Fund, an Actuarial Valuation was undertaken as at 30 November 2008 and as a result, the Actuary recommended an increase in the employer contribution rate from 12% to 13.5% effective 1 July 2009. The Actuary recommended that this rate increases each year subject to an annual review. This recommendation was approved by the Board and the Treasurer.

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 1938*, 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.

(c) WEST STATE SUPER

The employer contribution rate payable is determined under state legislation and is currently 9%.

In 2001, the State Government agreed to discharge the unfunded liability in West State Super through an amortisation arrangement which provided GESB with a fixed income stream over a period of twenty years. As a result, GESB was able to fully fund West State Super accounts and introduce Member Investment Choice from 1 July 2001. To achieve this, GESB entered into a fixed term borrowing arrangement with the West Australian Treasury Corporation over twenty years and used the funds raised to invest on behalf of members.

(d) GESB SUPER

The employer contribution rate payable is determined under State legislation and is currently 9%.

Note 10: Administration Expenses

Details of administration expenses incurred by GESB during the year ended 30 June 2009 are set out below:

		2008/09 ACTUAL \$	2008/09 BUDGET \$	VARIANCE ACTUAL TO BUDGET \$	VARIANCE ACTUAL TO BUDGET %	2007/08 ACTUAL \$	VARIANCE ACTUAL TO ACTUAL \$	VARIANCE ACTUAL TO ACTUAL %
	NOTE							
Employment Expenses	(i)	24,060,464	23,650,101	410,363	2%	21,175,860	2,884,604	14%
Information Technology Costs	(ii)	7,127,092	7,125,696	1,396	-	5,658,191	1,468,901	26%
Consultants	(iii)	3,294,235	2,734,279	559,956	20%	5,452,248	(2,158,013)	-40%
Accommodation Costs	(iv)	2,312,917	2,314,185	(1,268)	-	2,723,323	(410,405)	-20%
Professional Fees (actuarial, legal and audit)	(v)	2,272,930	1,037,600	1,235,330	119%	2,974,140	(701,210)	-24%
Postage, Printing and Record Management	(vi)	2,308,686	2,959,016	(650,330)	-22%	2,726,703	(418,017)	-15%
Promotions and Advertising	(vii)	1,320,374	2,237,155	(916,781)	-41%	1,087,113	233,261	21%
Other Administration Costs	(viii)	5,425,107	6,919,375	(1,494,268)	-22%	3,853,932	1,571,175	41%
		48,121,806	48,977,407	(855,601)		43,651,510	2,470,297	
Less:								
Investment Administration Costs	(ix)	2,251,945	2,885,000	(633,055)	-22%	1,995,166	256,779	13%
Total Administration Costs Excluding Changes in Net Market Value of Other Assets		45,869,861	46,092,407	(222,546)	-	43,656,344	2,213,518	
Changes in Net Market Value of Other Assets	(x)	3,495,439	2,818,000	677,439	24%	2,839,093	656,346	23%
Total Schemes Administration Costs		49,365,301	48,910,407	454,893	1%	46,495,437	2,869,864	6%

NOTES ON MAJOR VARIANCES IN ADMINISTRATION EXPENDITURE

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 of greater than 10% of total administrative expenditure or \$250,000, whichever is smaller.

The 2007/08 comparatives have been amended to align with the 2008/09 administration expenses disclosure. Previous year's expenditure was disclosed net of GESB Wealth Management Pty Ltd (GWM) expenses and recoveries. This has been restated on a gross of expenses basis with the corresponding recoveries included in Other Income. In addition, the recoupment of the 2007/08 costs incurred in the administration of the Parliamentary Superannuation Scheme and Judicial Pension Scheme are also included in Other Income.

The 2008/09 budget reported in the 2007/08 Annual Report has also been restated to reflect GWM's gross expenditure with the recoveries included in Other Income. A reconciliation is provided as follows:

	\$'000
Budget Administration Expenditure as per Appendix 6 in the 2007/08 Annual Report	44,549
Plus GWM expenditure	1,543
Total budget Administration Expenditure 2008/09	46,092

The 2008/09 budget does not include direct costs associated with the implementation of Choice of Fund and Mutualisation (Choice). This budget was approved assuming a Mutualisation date of 1 July 2008.

The 2008/09 actuals are inclusive of direct Choice costs of \$5.7 million. Excluding the direct Choice costs, the actuals are 11% under budget for 2008/09. This has been achieved as a result of a cost review which was undertaken during the year as a response to the impacts of the global financial crisis.

(i) Employment expenses

2008/09 Actual to Budget (Increased cost \$410,363)

The increase in expenditure against budget is primarily due to the delay in Mutualisation which has resulted in redeployee staff costs and ongoing policy support costs, which were not included in the original 2008/09 budget. However, this has been offset by a reduction in budgeted recruitment activity for GWM and a decrease in the provisions for employee and post employee benefits.

2008/09 Actual to Previous Year's Actual (Increased cost \$2,884,604)

The increase in expenditure to previous year is primarily due to salary increases and the full effect of recruitment activity in 2007/08

(ii) Information technology costs

2008/09 Actual to Previous Year's Actual (Increased cost \$1,468,901)

The increase in expenditure to previous year is due to higher fees paid on the technology outsourcing contract and an increase spend on information technology contractors for infrastructure recovery and information technology support.

(iii) Consultants

2008/09 Actual to Budget (Increased cost of \$559,956)

The increase in expenditure against budget is due to professional consultancy costs related to the delay in implementation of Choice of Fund and Mutualisation.

2008/09 Actual to Previous Year's Actual (Decreased cost \$2,158,013)

The decrease in expenditure is due to a higher use of consultants in the previous year in preparation for implementation of Choice of Fund and Mutualisation.

(iv) Accommodation Costs

2008/09 Actual to Previous Year's Actual (Decreased cost \$410,405)

The decrease in expenditure from the previous year is due mainly to an additional lease cost to accommodate relocated staff while the Central Park premises were refurbished in 2007/08

(v) Professional Fees

2008/09 Actual to Budget (Increased cost \$1,235,330)

Actuarial and legal costs were higher than budget due to a mid year Actuarial Valuation and advice in relation to the implementation of Choice of Fund and Mutualisation. In addition, the 2008/09 budgeted audit fees assumed a Mutualisation date 1 July 2008 with the audit fees for the mutualised entities excluded. Since Mutualisation did not occur the actual audit fees are consistent with prior years.

2008/09 Actual to previous Year's Actual (Decreased cost \$701,210)

The decrease in expenditure is due to higher legal and actuarial costs in the previous year in preparation for implementation of Choice of Fund and Mutualisation.

(vi) Postage, Printing and Records Management Costs

2008/09 Actual to Budget (Decreased cost \$650,330)

The decrease in expenditure against budget is due primarily to a reduction in printing and distribution of information materials to members that would have been required if GESB implemented Choice of Fund and Mutualisation in 2008/09.

2008/09 Actual to Previous Year's Actual (Decreased cost of \$418,017)

The decrease in expenditure to previous year is largely due to a reduction in printing and distribution of information materials to members because of the delay in Choice of Fund and Mutualisation in 2008/09.

(vii) Promotions and Advertising Costs

2008/09 Actual to Budget (Decreased cost \$916,781)

The decrease in expenditure against budget is due to a reduction in mass media communications as a result of the delay in Choice of Fund and Mutualisation

2008/09 Actual to Previous Years Actual (Increased cost \$233,261)

The increase in expenditure is due to increased advertising costs to build Brand awareness and to inform members about changes to superannuation and the economy.

(viii) Other Administration Costs

2008/09 Actual to Budget (Decreased cost \$1,494,268)

The decrease in expenditure against budget is due to a reduction in travel expenditure, professional indemnity insurance premiums and bank fees.

2008/09 Actual to Previous Year's Actual (Increased cost \$1,571,175)

The increased cost to previous year is primarily due to the costs associated with revised member insurance premiums and the costs of providing member education and general financial information.

(ix) Investment Administration Costs

2008/09 Actual to Budget (Decreased cost \$633,055)

The decrease in expenditure against budget is due mainly to lower investment related costs as a result of lower Funds under Management in 2008/09.

2008/09 Actual to Previous Year's Actual (Increased cost \$256,779)

The increase in expenditure from the previous year is mainly due to higher accrued performance fees payable to fund managers. However, this was offset by lower investment related costs as a result of lower Funds under Management in 2008/09.

(x) Changes in Net Market Value of Other Assets

2008/09 Actual to Budget (Increased cost \$677,439)

The increase in expenditure against budget is due to an increase in depreciation expense as a result of a higher number of projects being capitalised in 2008/09.

2008/09 Actual to Previous Year's Actual (Increased cost \$656,346)

The increase in expenditure from previous year is due to an increase in depreciation expense as a result of a higher number of projects being capitalised in 2008/09

Note 11: Income Tax

	2009 \$'000	2008 \$'000
(a) MAJOR COMPONENTS OF TAX EXPENSE		
Current tax expense	35,360	39,170
Adjustment to current tax for prior periods	52	129
Adjustment to deferred tax for prior periods	56	-
Deferred tax expense relating to the originating and reversal of temporary differences	(6,254)	(4,244)
Tax expense reported in Statement of Changes in Net Assets	29,214	35,055
(b) EXPLANATION OF THE RELATIONSHIP BETWEEN TAX EXPENSE AND ACCOUNTING SURPLUS		
Changes in net assets before tax	(355,363)	(19,430)
Changes in net assets related to constitutionally protected schemes	391,713	(139,831)
Changes in net assets related to WATC loan	1,426	(32,993)
Changes in net assets related to Reserves	124,856	491,092
Total change in net assets related to Retirement Products	162,632	298,838
Income Tax expense calculated at 15%	24,395	44,826
Tax effect of expenses that are not deductible in determining taxable income		
- Benefits paid	30,866	105,448
- Non deductible expenses	400	390
Tax effect of income that is not assessable in determining taxable income		
- Income from Managed Portfolio	9,557	13,692
- Member contributions	(2,782)	(5,812)
- Transfers In	(29,986)	(116,990)
- Imputation credits	(4,020)	(2,713)
- Exempt pension income	(1,780)	(4,774)
- Proceeds from insurance policy	(311)	-
Tax effect of other adjustments		
- Current tax for prior year	52	129
- Deferred tax for prior year	56	-
- No TFN contributions tax	2,767	859
Tax expense reported in Statement of Changes in Net Assets	29,214	35,055

	2009 \$'000	2009 \$'000	2008 \$'000	2008 \$'000
	CURRENT TAX	DEFERRED TAX	CURRENT TAX	DEFERRED TAX
(c) RECOGNISED TAX ASSETS & LIABILITIES				
Opening Balance	(18,959)	3,395	(9,143)	(848)
Charged to income	(35,413)	6,199	(39,298)	4,243
Other payments	32,623	-	29,482	-
Closing balance	(21,749)	9,594	(18,959)	3,395
Tax expense in income statement		29,214		35,055
Deferred tax asset at 30 June relates to the following:				
- Accrued income		43		3
- Unrealised capital losses		1,082		3,317
- Realised capital losses		8,469		75
		9,594		3,395

Note 12: Apportionment of Net Assets

Section 16 of the *State Superannuation Act 2000* requires GESB 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 3) and Fund administration costs (Note 10) have been apportioned between the schemes as follows:

(a) APPORTIONMENT OF INVESTMENT INCOME

Section 22 of the *State Superannuation Act 2000* provides that GESB 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. Commencing 1 July 2001, as a result of the introduction of Member Investment Choice, the income attributable to the accumulation schemes has been allocated in accordance with income credited to the members' account. Income is allocated to reserves and the defined benefit schemes based on the actuarially determined valuations.

(b) APPORTIONMENT OF ADMINISTRATION EXPENSES

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

As a result, the Net Assets of the Fund have been apportioned between the elements of the Fund as follows:

	2009 \$'000	2008 \$'000
Pension Scheme	71,146	91,800
Gold State Super	1,662,910	1,875,000
West State Super	5,240,904	5,356,856
GESB Super	480,714	449,218
Retirement Income – Allocated Pension	575,785	465,641
Retirement Income – Term Allocated Pension	20,618	23,972
WATC Loan	(490,679)	(489,253)
Reserves	383,100	539,129
	7,944,498	8,312,363

Note 13: Plant and Equipment

Plant and equipment comprises of computer hardware and office furniture, equipment and renovations. These assets are recorded at depreciated values which is a reasonable approximation of net market value. Details are as follows:

	2009		2008	
	\$'000	\$'000	\$'000	\$'000
PLANT AND EQUIPMENT				
Computer hardware at cost	157		96	
Less: Provision for Depreciation	35	122	82	14
Office furniture, equipment and renovations at cost	2,487		2,770	
Less: Provision for Depreciation	245	2,242	341	2,429
		2,364		2,443

Reconciliation of the carrying amounts of each asset class at the beginning and end of the current and previous financial year are set out below:

2009

	COMPUTER HARDWARE	OFFICE FURNITURE, EQUIPMENT & RENOVATIONS	OFFICE FURNITURE, EQUIPMENT & RENOVATIONS - WIP	TOTAL
	\$'000	\$'000	\$'000	\$'000
Carrying amount at start of year	14	2,429	-	2,443
Additions	-	235	-	235
Disposals	-	(20)	-	(20)
Transfers	143	(143)	-	-
Depreciation expense	(35)	(259)	-	(294)
Carrying amount at end of year	122	2,242	-	2,364

2008

	COMPUTER HARDWARE	OFFICE FURNITURE, EQUIPMENT & RENOVATIONS	OFFICE FURNITURE, EQUIPMENT & RENOVATIONS - WIP	TOTAL
	\$'000	\$'000	\$'000	\$'000
Carrying amount at start of year	23	319	3,000	3,342
Additions	-	64	1,412	1,476
Disposals	-	(2)	(2,218)	(2,220)
Transfers	-	2,194	(2,194)	-
Depreciation expense	(9)	(146)	-	(155)
Carrying amount at end of year	14	2,429	-	2,443

Note 14: Receivables and Payables

(a) RECEIVABLES

Represented by:

	2009		2008	
	\$'000	\$'000	\$'000	\$'000
INVESTMENTS				
Receivables	173,679		328,335	
Scrip lending fee	66		92	
Accrued Interest	80		254	
		173,826		328,681
PENSION SCHEME				
Recoup State's Share of Pensions	3,138	3,138	3,092	
				3,092
GOLD STATE SUPER				
Employer Contributions	7,628		9,960	
Contribution Arrears	1,946		1,585	
		9,574		11,545
Other Debtors		504		1,066
		187,041		344,384

Movements in the provision for impairment of receivables are as follows:

	2009	2008
	\$'000	\$'000
At 1 July	90	90
Receivables written-off during the year as uncollectible	-	(89)
Provision reversed during the year	-	(1)
At 30 June	-	-

Receivables past due but not impaired

As at 30 June 2009, receivables of \$12,467,406 (2008 - \$3,915,988) were past due but not impaired.

The ageing analysis of these receivables are as follows:

	2009	2008
	\$'000	\$'000
0 - 30 days	9,177	1,194
31 - 60 days	17	411
61 - 90 days	12	49
91+ days	3,260	2,262
	12,468	3,916

Receivables considered impaired

As at 30 June 2009 no receivables were considered impaired (2008 - \$6,431). The ageing analysis of these receivables are as follows:

	2009 \$'000	2008 \$'000
0 - 30 days	-	-
31 - 60 days	-	-
61 - 90 days	-	-
91+ days	-	6
	-	6

The remaining receivables relate to outstanding investment trade settlements and do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due.

Related party receivables

For terms and conditions of related party receivables refer to Note 20.

Net market value and credit risk

Due to the short term nature of these receivables, their carrying value is assumed to approximate their net market value.

The maximum exposure to credit risk is the net market value of receivables. GESB does not hold any collateral in relation to these receivables.

Interest rate risk

Detail regarding interest rate risk exposure is disclosed in Note 4.

(b) PAYABLES

Represented by:

	2009 \$'000	2008 \$'000
INVESTMENTS		
Payables	403,659	641,580
Management Fees	7,367	7,103
GESB SUPER		
Benefits Due and Payable	1,054	330
GOLD STATE SUPER		
Benefits Due and Payable	488	4,000
WEST STATE SUPER		
Benefits Due and Payable	1,596	3,042
PENSION SCHEME		
Pension Due and Payable	2,955	2,378
Payables and Accruals	20,123	5,589
	437,242	664,022

Net market value

Due to the short term nature of these payables, their carrying value is assumed to approximate their net market value.

Interest rate and liquidity risk

Information regarding interest rate and liquidity risk exposure is set out in Note 4.

Note 15: Provision for Employee Benefits

The provision for employee benefits for long service leave and annual leave has been calculated by Mercer (Australia) Pty Ltd, in accordance with the provisions of the Accounting Standard AASB 119.

The value of leave benefits has been estimated at:

	2009 \$'000	2008 \$'000
CURRENT LIABILITY		
Long Service Leave ^(a)	1,609	1,708
Annual Leave	1,698	1,900
Deferred Salary Scheme	28	23
	3,335	3,631
NON - CURRENT LIABILITY		
Long Service Leave ^(a)	559	466
Deferred Salary Scheme	-	-
	559	466
Total Employee Benefits	3,894	4,097
Number of Employees (Head Count)	262	267

(a) Long service leave liabilities have been classified as current where there is no unconditional right to defer settlement for at least 12 months after reporting date. Assessments indicate that actual settlement of the liabilities will occur as follows:

	2009 \$'000	2008 \$'000
Within 12 months of reporting date	1,609	1,708
More than 12 months after reporting date	559	466
	2,168	2,174

(b) The settlement of annual and long service leave liabilities gives rise to the payment of employment on-costs including workers' compensation premiums and payroll tax. The provision is measured at the present value of expected future payments. The associated expense is included at Note 31 'Other Expenses'.

Note 16: Provision for Post-Employee Benefits

PENSION SCHEME

Accounting policy

Actuarial gains and losses are recognised immediately in the Statement of Changes in Net Assets in the year which they occur.

Scheme information

Pension Scheme members receive pension benefits on retirement, death or invalidity. The Fund Share of the pension benefit, which is based on the member's contributions plus investment earnings, may be commuted to a lump sum benefit. The employers do not bear the cost associated with indexation of any pension arising from the Fund Share. The State Share of the pension benefit, which is fully employer-financed, cannot be commuted to a lump sum benefit.

The following disclosures are in respect of the employer financed benefits only.

Reconciliation of the Present Value of the Defined Benefit Obligation

FINANCIAL YEAR ENDING (PENSION SCHEME)	30 JUNE 2009 (\$'000)	30 JUNE 2008 (\$'000)
Present value of defined benefit obligations at beginning of the year	2,062	1,661
(+) Current service cost	19	-
(+) Interest cost	132	96
(+) Actuarial (gains)/losses	(353)	435
(-) Benefits paid	133	130
Present value of defined benefit obligations at end of the year	1,727	2,062

These defined benefit obligations are wholly unfunded, such that there are no assets. The employer contributes, as required, to meet the benefits paid.

Reconciliation of the Fair Value of Scheme Assets

FINANCIAL YEAR ENDING (PENSION SCHEME)	30 JUNE 2009 (\$'000)	30 JUNE 2008 (\$'000)
Fair value of Scheme assets at beginning of the year	-	-
(+) Employer contributions	133	130
(-) Benefits paid	133	130
Fair value of Scheme assets at end of the year	-	-

Reconciliation of the Assets and Liabilities Recognised in the Statement of Net Assets

AS AT (PENSION SCHEME)	30 JUNE 2009 (\$'000)	30 JUNE 2008 (\$'000)
Defined Benefit Obligation	1,727	2,062
Deficit/(surplus)	1,727	2,062
Liability/(asset)	1,727	2,062

Expense Recognised in Statement of Changes in Net Assets

FINANCIAL YEAR ENDING (PENSION SCHEME)	30 JUNE 2009 (\$'000)	30 JUNE 2008 (\$'000)
Current Service Cost	19	-
Interest cost	132	96
Actuarial loss/(gain)	(353)	435
Superannuation expense/(income)	(202)	531

Scheme assets

There are no assets in the Pension Scheme to support the State Share of the Benefit. Hence, there is

- No fair value of Scheme assets;
- No asset allocation of Scheme assets;
- No assets used by the employer;
- No expected return of Scheme assets;
- No actual return on Scheme assets.

Principal Actuarial Assumptions Used

(PENSION SCHEME)	30 JUNE 2009	30 JUNE 2008	30 JUNE 2007
Discount rate (active members)	5.34%	6.64%	6.06%
Discount rate (pensioners)	5.34%	6.64%	6.06%
Expected salary increase rate	4.50%	4.50%	4.50%
Expected pension increase rate	2.50%	2.50%	2.50%

The discount rate is based on the 10 year Government bond. The decrement rates used (eg mortality and retirement rates) are based on those used at the last actuarial valuation for the Schemes.

Historical Information

FINANCIAL YEAR ENDING (PENSION SCHEME)	30 JUNE 2009 (A\$'000)	30 JUNE 2008 (A\$'000)	30 JUNE 2007 (A\$'000)	30 JUNE 2006 (A\$'000)	30 JUNE 2005 (A\$'000)
Present value of defined benefit obligation	1,727	2,062	1,661	2,246	2,339
Fair value of Scheme Assets	-	-	-	-	-
(Surplus)/deficit in Scheme	1,727	2,062	1,661	2,246	2,339
Experience adjustments (gain)/loss- Scheme Assets	-	-	-	-	-
Experience adjustments (gain)/loss- Scheme liabilities	(444)	599	(635)	25	9

The experience adjustment for Scheme liabilities represents the actuarial loss/(gain) due to a change in the liabilities arising from the Scheme's experience (eg membership movements, unit entitlements) and excludes the effect of the changes in assumptions (eg movements in the bond rate and changes in pensioner mortality assumptions).

Expected Contributions

FINANCIAL YEAR ENDING (PENSION SCHEME)	30 JUNE 2010 (\$'000)
Expected employer contributions	142

GOLD STATE SUPER (TRANSFERRED BENEFITS)

Accounting policy

Actuarial gains and losses are recognised immediately in the Statement of Changes in Net Assets in the year which they occur.

Scheme information

Some former Pension Scheme members have transferred to Gold State Super. In respect of their transferred benefit the members receive a lump sum benefit at retirement, death or invalidity which is related to their salary during their employment and indexed during any deferral period after leaving public sector employment.

The following disclosures are in respect of the employer-financed benefits only.

Reconciliation of the Present Value of the Defined Benefit Obligation

FINANCIAL YEAR ENDING (GOLD STATE SUPER)	30 JUNE 2009 (\$'000)	30 JUNE 2008 (\$'000)
Present value of defined benefit obligations at beginning of the year	962	1,057
(+) Interest cost	63	63
(+) Actuarial (gains)/losses	(62)	25
(-) Benefits paid	21	183
Present value of defined benefit obligations at end of the year	942	962

These defined benefit obligations are wholly unfunded, such that there are no Assets. The employer contributes, as required, to meet the benefits paid.

Reconciliation of the Fair Value of Scheme Assets

FINANCIAL YEAR ENDING (GOLD STATE SUPER)	30 JUNE 2009 (\$'000)	30 JUNE 2008 (\$'000)
Fair value of Scheme assets at beginning of the year	-	-
(+) Employer contributions	21	183
(-) Benefits paid	21	183
Fair value of Scheme assets at end of the year	-	-

Reconciliation of the Assets and Liabilities Recognised in the Statement of Net Assets

AS AT (GOLD STATE SUPER)	30 JUNE 2009 (\$'000)	30 JUNE 2008 (\$'000)
Defined Benefit Obligation	942	962
Deficit/(surplus)	942	962
Liability/(asset)	942	962

Expense Recognised in Statement of Changes in Net Assets

FINANCIAL YEAR ENDING (GOLD STATE SUPER)	30 JUNE 2009 (\$'000)	30 JUNE 2008 (\$'000)
Interest cost	63	63
Actuarial loss/(gain)	(62)	25
Superannuation expense/(income)	1	88

Scheme assets

There are no assets in Gold State Super for current employees to support the transferred benefits. Hence, there is

- No fair value of Scheme assets;
- No asset allocation of Scheme assets;
- No assets used by the employer;
- No expected return of Scheme assets;
- No actual return on Scheme assets.

Principal Actuarial Assumptions Used

(GOLD STATE SUPER)	30 JUNE 2009	30 JUNE 2008	30 JUNE 2007
Discount rate (active members)	5.34%	6.64%	6.06%
Discount rate (pensioners)	5.34%	6.64%	6.06%
Expected salary increase rate	4.50%	4.50%	4.50%
Expected pension increase rate	2.50%	2.50%	2.50%

The discount rate is based on the 10 year Government bond rate. The decrement rates used (eg mortality and retirement rates) are based on those used at the last actuarial valuation for the Schemes.

Historical Information

FINANCIAL YEAR ENDING (GOLD STATE SUPER)	30 JUNE 2009 (A\$'000)	30 JUNE 2008 (A\$'000)	30 JUNE 2007 (A\$'000)	30 JUNE 2006 (A\$'000)	30 JUNE 2005 (A\$'000)
Present value of defined benefit obligation	942	962	1,057	845	1,283
Fair value of Scheme Assets	-	-	-	-	-
(Surplus)/deficit in Scheme	942	962	1,057	845	1,283
Experience adjustments (gain)/loss- Scheme Assets	-	-	-	-	-
Experience adjustments (gain)/loss- Scheme liabilities	(147)	72	223	(206)	101

The experience adjustment for Scheme liabilities represents the actuarial loss/(gain) due to a change in the liabilities arising from the Scheme's experience (eg membership movements, unit entitlements) and excludes the effect of the changes in assumptions (eg movements in the bond rate).

Expected Contributions

FINANCIAL YEAR ENDING (GOLD STATE SUPER)	30 JUNE 2010 (\$'000)
Expected employer contributions	60

Note 17: Interest Bearing Loans and Borrowings

The term loan from the Western Australian Treasury Corporation commenced on 30 May 2001 and was incurred to enable the balances on West State Super members' 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 West State Super.

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 2009 is \$33,236,619 (2007/08: \$34,669,380).

The market valuation of the loan is based on interest rates applicable on 30 June 2009. As at 30 June 2009, the market value of the loan is \$490,679,279 (2007/08 market value of the loan of \$489,252,896), with a premium of \$8,651,217 from the face value of \$482,028,062 (2007/08 discount of \$17,952,012). This premium of \$8,651,217 represents the difference in present value between the interest rate the loan was fixed at (6.5699% p.a. quarterly compounding) and the interest rates applicable on 30 June 2009.

The loan was entered into following successful negotiations with the State Government in regard to an agreed payment schedule to discharge the unfunded West State Super liability over twenty years. Refer also Note 9(b).

NET MARKET VALUE

The carrying amount of the Fund's interest bearing loans and borrowings approximate their net market value. The change in net market value is attributable to changes in the discount rate resulting from market related movements in long term interest rates together with principal repayments.

INTEREST RATE AND LIQUIDITY RISK

Details regarding interest rate and liquidity risk is disclosed in Note 4.

DEFAULTS AND BREACHES

During the current and prior years, there were no defaults or breaches on the interest bearing loans and borrowings.

Note 18: Remuneration of Members of the Board and Senior Officers

REMUNERATION OF MEMBERS OF THE BOARD

The number of members of the Board, whose total of fees, salaries, superannuation, non-monetary benefits and other benefits for the financial year, fall within the following bands are:

\$	2009	2008
0- 10,000	3	2
10,001-20,000	-	2
20,001-30,000	-	2
40,001-50,000	-	1
50,001-60,000	3	-
60,001-70,000	1	-
70,001-80,000	-	1
110,001-120,000	1	-
Total number of members of the Board is:	8	8
Total remuneration of members of the Board is:	\$342,613	\$203,880

The Board is comprised of seven Board Directors. A new director was appointed on the 10 March 2009 to replace a previous director. During 2008/09, remuneration in accordance with Section 8(2) of the *State Superannuation Act 2000* was paid to five Board Directors. The remaining two Directors of the Board namely, M Court and D Spray did not receive any director's fees in accordance with government policy.

One member of the Board is a member of the Pension Scheme.

REMUNERATION OF SENIOR OFFICERS

The number of Senior Officers, whose total of fees, salaries, superannuation, non-monetary benefits and other benefits for the financial year, fall within the following bands are:

\$	2009	2008
10,000 - 20,000	-	1
90,001-100,000	-	1
220,001-230,000	-	1
230,001-240,000	-	1
240,001-250,000	-	2
250,001-260,000	4	1
260,001-270,000	2	-
430,001-440,000	-	1
530,001-540,000	1	-
Total number of Senior Officers is:	7	8
The total remuneration of Senior Officers is:	\$2,095,855	\$1,761,553

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

In 2008/09, GESB renewed its Directors and Officers Liability insurance policy with Riskcover. The premium paid in respect of this insurance was \$85,816 (excluding GST).

Note 19: Remuneration of Auditor

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

	2009 \$	2008 \$
Fee for auditing the accounts, financial statements and performance indicators	392,500	382,000

Note 20: Related Party Transactions

During the financial period, GESB received from its related party, total management fees amounting to \$2,241,836 (2008 - \$1,903,017) in relation to the performance of services as agreed between the parties. The amount receivable as at 30 June 2009 is \$284,232 (2008 - \$189,506). The amount arises from arm's length transactions and is non-interest bearing.

During the financial year, GESB requested GWM to provide certain financial services to its members relating to member education and general financial information. A fee was agreed between both parties for the provision of these services to GESB members. For 2008/09 this fee amounted to \$377,134. The amount outstanding as at 30 June 2009 is \$27,858 (2008: nil).

All related party transactions were entered into on a normal commercial basis.

Note 21: Write-offs

The write-offs made during the current financial year are as follow: \$11,611 (2008 - \$96,530).

Note 22: Commitments and Contingencies

Other expenditure commitments

	2009 \$'000	2008 \$'000
Other expenditure commitments, being contracted expenditure additional to the amounts reported in the financial statements, are payable as follows:		
Within 1 year	3,226	4,467
Later than 1 year and not later than 5 years	-	-
Later than 5 years	-	-
	3,226	4,467

The expenditure commitments relate to contracted expenditure for outsourced information and communication technology services.

Operating lease commitments

	2009 \$'000	2008 \$'000
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities are payable:		
Within 1 year	1,534	1,317
Later than 1 year and not later than 5 years	8,409	7,053
Later than 5 years	9,567	12,456
	19,510	20,826
Representing:		
Cancellable operating leases	-	72
Non-cancellable operating leases	19,510	20,754
	19,510	20,826

Non-cancellable operating lease commitments

	2009 \$'000	2008 \$'000
Non-cancellable operating lease commitments		
Commitments for minimum lease payments are payable as follows:		
Within 1 year	1,534	1,317
Later than 1 year and not later than 5 years	8,409	7,053
Later than 5 years	9,567	12,456
	19,510	20,826

GESB is committed to operating leases on four motor vehicles. These leases have a life of three years with no renewable options included in the contract. There are no restrictions imposed by these leasing arrangements on other financing transactions.

GESB is committed to a lease agreement on its premises. The property lease is a non-cancellable lease with a ten-year term, with an option to renew the lease at the end of the term for an additional term of five years.

Taxation of Financial Arrangements (TOFA)

The *Tax Laws Amendment (Taxation of Financial Arrangements) Act 2009* (TOFA Act) received Royal Assent on 26 March 2009. The TOFA Act legislates stages 3 and 4 of the TOFA reforms, which deals with the taxation of financial arrangements and the timing of when gains and losses are recognized. This Act will generally apply for income years commencing on or after 1 July 2010. However, a taxpayer may elect to early adopt and be applicable for income years commencing on or after 1 July 2009. GESB will not be electing to early adopt and therefore TOFA will apply from 1 July 2010. The full extent of the impact has not yet been determined.

Financial Agreement

GESB Mutual Ltd, GESB Superannuation Pty Ltd and GESB Funds Management Pty Ltd were established in 2008 in preparation for the Mutualisation of GESB. In July 2008, \$11 million was transferred from GESB to GESB Mutual Ltd, in order to comply with regulatory requirements and consistent with approval from the Treasurer.

An agreement is in place which specifies the terms and conditions of the \$11million advance transferred from GESB to GESB Mutual Ltd. Currently the agreement states, if GESB does not mutualise before 1 June 2010, GESB Mutual Ltd will repay to GESB the \$11million in accordance with the terms and conditions of the agreement.

Note 23: Explanatory Statement

In accordance with Treasurer's Instruction 945, this statement compares 2008/09 Income and Expenditure as shown within the Statement of Changes in Net Assets with:

- (a) The 2008/09 Budget figures published in the 2007/08 Annual Report
- (b) The 2008/09 Income and Expenditure figures

		2008/09 ACTUAL \$'000	2008/09 BUDGET \$'000	VARIANCE ACTUAL TO BUDGET \$'000	VARIANCE ACTUAL TO BUDGET %	2007/08 ACTUAL \$'000	VARIANCE ACTUAL TO ACTUAL \$'000	VARIANCE ACTUAL TO ACTUAL %
NOTES								
REVENUE								
Investment Revenue								
Investment Revenue	(i)	(999,029)	754,456	(1,753,485)	-232%	(745,972)	(253,057)	-34%
Less: Investment Expenses	(ii)	25,974	35,301	(9,327)	-24%	29,765	(3,791)	-13%
Net Investment Revenue		(1,025,003)	719,155	(1,744,158)		(775,737)	(249,266)	
Superannuation Income								
Contributions Income								
Member	(iii)	381,242	342,473	38,769	11%	399,568	(18,326)	-5%
Employer	(iv)	1,069,877	1,290,359	(220,482)	-17%	1,071,233	(1,356)	0%
Rollover into Retirement Products	(v)	250,128	355,619	(105,491)	-30%	559,434	(309,306)	-55%
Inward Transfer from Other Funds	(vi)	279,494	276,145	3,349	1%	583,975	(304,481)	-52%
Other Income	(vii)	17,614	2,574	15,040	584%	1,571	16,043	1021%
Total Superannuation Income		1,998,355	2,267,170	(268,815)		2,615,781	(617,426)	-
Total Revenue		973,353	2,986,325	(2,012,973)	-67%	1,840,044	(866,691)	-47%
Superannuation Benefits	(viii)	1,192,035	1,668,092	(476,057)	-29%	1,787,795	(595,760)	-33%
Administration Expenses	(ix)	45,870	46,092	(223)	0%	43,657	2,212	5%
Advance payment to GESB Mutual Ltd		11,000	-	11,000	0%	-	11,000	
Changes in Net Market Value of Other Assets	(x)	3,495	2,818	677	24%	2,839	656	23%
Changes in Net Market Value of Financial Liabilities	(xi)	26,366	-	26,366		(9,487)	35,853	378%
Loan Interest		33,237	33,263	(26)	0%	34,669	(1,433)	-4%
Total Expenses		1,312,003	1,750,265	(438,262)		1,859,475	(547,471)	-
Operating Result before Tax for the Year		338,651	1,236,060	(1,574,710)		(19,431)	(319,220)	

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 GESB. The 2008/09 budget includes gross benefits from GESB schemes and gross contributions to retirement products (including retention of benefits into retirement products). For comparative purposes, the retention of benefits from GESB schemes into retirement products has not been eliminated for 2008/09 and 2007/08 actuals. In addition, the 2007/08 comparatives have been amended to align with the 2008/09 administration expenses disclosure. Previous year's expenditure was disclosed net of GESB Wealth Management Pty Ltd income and expenses.

(i) Investment income

Income from investments was \$1,753.5m (232%) lower than budget and \$0.3m (34%) lower than last year. This was due to significant realised and unrealised capital losses in investment assets of the financial year as a result of high volatility within investment markets. The year to date investment performance for the fund is -11.4% as compared to a budget investment performance rate of 7.9%. Details of investment income are included in Note 3.

(ii) Investment expenses

Investment expenses were \$9.3m (26%) lower than budget. This is due to the direct relationship between investment expenses and the size of funds under management. Similarly, investment expenses were \$3.8m (13%) lower than last year due to the reduction of funds under management in the current year.

(iii) Member contributions

Total member contributions were \$38.8m (11%) higher than budget. Improving investment conditions and end of financial year have positively impacted member contributions.

(iv) Employer contributions

Total employer contributions were \$220.5m (17%) lower than budget due mainly to lower than budget contributions into GESB Super. Budget employer contributions are based on GESB Super being a public offer superannuation fund with expected increases in employer contributions.

(v) Rollover into retirement products

Total rollovers into retirement products were \$105.5m (30%) lower than budget and \$309.3m (55%) lower than last year primarily due to members delaying retirement as a result of the market downturn and lower than budget retention rates into GESB retirement products.

(vi) Inward transfer from other funds

Inward transfer from other funds was \$304.5m (52%) lower than last year. A total of \$366.4m was transferred into GESB Super to be held for the benefit of GESB Super (Retirement Access) members as a result of an alignment of the scheme rules in April 2008.

(vii) Other income

Other income is \$15m (584%) higher than budget. Other income represents insurance administration fee revenue received from GESB Super and West State Super's group life insurance provider, members' insurance proceeds, service fees from GESB Wealth Management Pty Ltd and the proceeds from Professional Indemnity insurance claims. The increase of \$16m to actual in 2007/08 is primarily due to the proceeds from the Professional Indemnity insurance claim and additional insurance administration fee revenue from West State Super.

(viii) Superannuation benefits

Superannuation benefits were \$476.1m (29%) lower than budget and \$595.7m (33%) lower than last year due mainly to members deferring retirement as a result of the market downturn.

(ix) Administration expenses

As per Note 10.

(x) Changes in net market value of other assets

As per Note 10 (x).

(xi) Changes in net market value of financial liabilities

As per Note 17.

Note 24: Scheme Information

One of the functions of GESB is to administer the following schemes:-

Pension Scheme – was the Government’s original superannuation scheme and has been closed to new members since 1986. It provides a salary linked unit based pension for retiring members. This scheme is an untaxed scheme.

Provident Account – is a lump sum scheme for persons who were not eligible to join the Pension Scheme. This scheme was also closed to new members in 1986. For scheme reporting purposes the Provident Account is included with the Pension Scheme. This scheme is an untaxed scheme.

Gold State Super – is a defined benefit, lump sum superannuation scheme that has been closed to new members since 1995. This scheme is an untaxed scheme.

West State Super – is a market linked accumulation superannuation scheme established to comply with the provisions of the Commonwealth’s *Superannuation Guarantee (Administration) Act 1992*. It has been closed to new employees since April 2007. This scheme is an untaxed scheme.

GESB Super – is a market linked taxed accumulation superannuation scheme which also includes GESB Super (Retirement Access). GESB Super is open to new employees of the State Government.

Retirement Income Allocated Pension – is an allocated pension that enables retiring members to keep their funds with GESB in a concessional taxed environment, while receiving flexible periodic payments.

Retirement Income Term Allocated Pension – is a market linked income stream similar to an allocated pension but with restricted redemption options and qualifies as a complying pension for tax and social security purposes. It has been closed to new members since 19 September 2007.

STATEMENT OF CHANGES IN NET ASSETS

2009	PENSION SCHEME \$'000	GOLD STATE SUPER \$'000	WEST STATE SUPER \$'000	GESB SUPER \$'000	RETIREMENT INCOME \$'000	TERM ALLOCATED PENSION \$'000	WATC LOAN \$'000	RESERVES ELIMINATIONS \$'000	SCHEME \$'000	TOTAL \$'000
NET ASSETS AVAILABLE TO PAY BENEFITS AT THE BEGINNING OF THE YEAR	91,800	1,875,000	5,356,856	449,218	465,641	23,972	(489,253)	539,129	-	8,312,363
INCOME										
Investment Income (net of Investment Expenses)	(16,265)	(217,727)	(586,728)	(43,533)	(33,143)	(1,585)	-	(126,021)	-	(1,025,002)
Superannuation Income										
Contributions										
Member	2,183	68,590	277,450	33,018	-	-	-	-	-	381,241
Employer	227,900	240,218	449,480	94,103	-	-	58,176	-	-	1,069,877
Inward Transfer from Other Funds	-	-	192,766	85,525	251,331	-	-	-	(421,606)	108,016
Lag Gain / (Loss)	-	-	(168)	(2)	2	-	-	168	-	-
Other Income	-	-	5,350	2,070	-	-	-	10,194	-	17,614
Total Income	213,818	91,081	338,150	171,181	218,190	(1,585)	58,176	(115,659)	(421,606)	551,746
EXPENSES										
Superannuation benefits	234,472	303,171	370,960	114,660	89,517	1,707	-	2,876	(421,606)	695,757
Group Life Insurance Benefits	-	-	65,136	9,536	-	-	-	-	-	74,672
Administration Expenses and Depreciation	-	-	18,006	2,239	2,478	149	-	26,493	-	49,365
Advance payment to GML	-	-	-	-	-	-	-	11,000	-	11,000
Changes in market value of loan	-	-	-	-	-	-	26,366	-	-	26,366
Loan Interest	-	-	-	-	-	-	33,237	-	-	33,237
Total Expenses	234,472	303,171	454,102	126,435	91,995	1,856	59,603	40,369	(421,606)	890,397
Operating Result for the Year before Taxation	(20,654)	(212,090)	(115,952)	44,746	126,195	(3,440)	(1,426)	(156,028)	-	(338,651)
TAXATION										
Operating Result for the Year after Taxation	(20,654)	(212,090)	(115,952)	31,496	110,144	(3,354)	(1,426)	(156,028)	-	(367,865)
Net Assets available to pay Benefits at the End of the Year	* 71,146	*1,662,910	5,240,904	480,714	575,785	20,618	(490,679)	383,100		7,944,498

*The accrued actuarial liabilities for the Pension Scheme is \$87million and for Gold State Super is \$2,043million as at 30 June 2009. Therefore, a shortfall of assets exists of \$396million to fund the accrued liabilities. Accordingly, the Actuary has recommended that the employer contribution and recoupment rates for Gold State Super be increased on an annual basis subject to an annual review.

STATEMENT OF CHANGES IN NET ASSETS

2008	PENSION SCHEME \$'000	GOLD STATE SUPER \$'000	WEST STATE SUPER \$'000	GESB SUPER \$'000	GESB SUPER (RETIREMENT ACCESS) \$'000	RETIREMENT INCOME \$'000	TERM ALLOCATED PENSION \$'000	WATC LOAN \$'000	RESERVES ELIMINATIONS \$'000	SCHEME \$'000	TOTAL \$'000
NET ASSETS AVAILABLE TO PAY BENEFITS AT THE BEGINNING OF THE YEAR	90,812	1,798,000	5,304,215	22,095	403,670	237,924	11,368	(522,246)	1,021,011	-	8,366,849
REVENUE											
Investment Income (net of Investment Expenses)	11,219	135,093	(396,972)	(18,093)	(10,703)	(25,604)	(1,671)	-	(469,007)	-	(775,738)
Superannuation Revenue Contributions											
Member	2,091	67,269	309,651	20,555	202,286	340,015	17,135	-		(390,489)	568,513
Employer	224,283	324,507	427,882	36,386	-	-	-	58,175		-	1,071,233
Inward Transfer from Other Funds	-	-	133,447	450,527	-	-	-	-		(374,928)	209,046
Lag Gain / (Loss)	-	-	(10)	5	14	(8)	-	-	(1)	-	-
Benefit Adjustment	-	-	-	-	-	-	-	-	-	-	-
Other Income	-	-	-	-	-	-	-	-	214	-	214
Changes in Net Market Value of Financial Liabilities	-	-	-	-	-	-	-	9,487	-	-	9,487
Total Revenue	237,593	526,869	473,998	489,380	191,597	314,403	15,464	67,662	(468,794)	(765,417)	1,082,755
EXPENSES											
Superannuation benefits	234,708	441,006	405,179	53,822	580,556	69,945	2,372	-	249	(765,417)	1,022,420
Administration Expenses, Loss on Disposal of Assets and Changes in Net Market Value of Other Assets	1,897	8,863	16,178	590	2,130	2,436	164	-	12,839	-	45,097
Loan Interest	-	-	-	-	-	-	-	34,669	-	-	34,669
Total Expenses	236,605	449,869	421,357	54,412	582,686	72,381	2,536	34,669	13,088	(765,417)	1,102,186
Operating Result for the Year/ Segment Result before Taxation	988	77,000	52,641	434,968	(391,089)	242,022	12,928	32,993	(481,882)	-	(19,431)
TAXATION	-	-	-	7,845	12,581	14,305	324	-	-	-	35,055
Operating Result for the Year/ Segment Result after Taxation	988	77,000	52,641	427,123	(403,670)	227,717	12,604	32,993	(481,882)	-	(54,486)
Net Assets available to pay Benefits at the End of the Year	91,800	1,875,000	5,356,856	449,218	-	465,641	23,972	(489,253)	539,129	-	8,312,363

Note 25: Summary of Actuarial Report

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 2009.

(2) NAME AND QUALIFICATION OF ACTUARY

The valuation of funded liabilities was undertaken by GESB's Actuary, Mercer (Australia) Pty Ltd. The valuation of unfunded accrued liabilities was performed by PricewaterhouseCoopers Securities Limited on behalf of the Department of Treasury and Finance.

(3) FUND SUMMARY

The overall financial position of the Fund as at 30 June 2009 is as follows:

	2009 \$M
Net Assets of the fund (excluding WATC Loan)	8,435
Actuarial Liabilities (inclusive of reserves)	
West State Super	5,337.4
GESB Super	481
Retirement Products	596
Fund Reserves	152
Pension Scheme	110.2
Gold State Super	2,154.4
Total Actuarial Liabilities	8,831
Net Position	-396

In the opinion of the Actuary, the net position of the Fund in 2008/09 has materially deteriorated due to negative investment returns and significant increases in the average salary of GSS members. In view of the negative net position, the Actuary has recommended a gradual increase over the next four years in the employer contribution rate and the recoupment percentage for GSS, subject to an annual review.

(4) FINANCIAL CONDITION OF EACH SCHEME AS AT 30 JUNE 2009

GESB's Actuary reported that in respect of funded liabilities:-

(a) Pension Scheme

The Actuary reported that the scheme has a negative net financial position due to recent negative investment returns and there are now insufficient assets to meet expected liabilities. However, the level of future member contributions is expected to be sufficient to meet the level of member financed future benefit accruals and therefore no action is recommended at this time. The Actuary recommended the following reserve be maintained for the Pension Scheme:

Expenses Reserve	\$23.2 million
------------------	----------------

(b) Gold State Super

The Actuary reported that the scheme has a negative net financial position due to the recent negative investment returns and there are now insufficient assets to meet expected liabilities. The Actuary recommended the following reserve be maintained for Gold State Super:

Expenses Reserve	\$111.4 million
------------------	-----------------

The Actuary has recommended that the employer contribution rate and recoupment percentage be increased annually from 1 July 2009, subject to an annual review.

(c) West State Super

The Actuary reported that the scheme is in a sound financial position as at 30 June 2009 and has sufficient assets to meet both the expected payments in respect of the accrued actuarial liabilities and the level of recommended reserves for West State Super. The Actuary recommended the following reserves to be maintained for West State Super:

Minimum Guarantee Reserve	\$20.1 million
General Reserve	\$76.4 million

(d) GESB Super

The Actuary reported that the GESB Super Scheme is in a satisfactory financial position as at 30 June 2009 and has sufficient assets in the Fund to meet expected payments in respect of accrued actuarial liabilities.

(e) Retirement Products

The Actuary reported that the Retirement Income Allocated Pension Scheme and Retirement Income Term Allocated Pension Scheme are in a satisfactory financial position as at 30 June 2009.

(5) RESERVES

In addition to the above funded liabilities and scheme explicit reserves, the Actuary recommended that the Fund maintains a portion of its assets in the following reserves:

Operational Risk Reserve	\$72.5 million
Government Services Reserve	\$40.0 million
Prudential Reserve	\$39.5 million

Note 26: Event Subsequent to Balance Date

There are no material events subsequent to balance date in the financial statements.

Note 27: Judgements Made by Management in Applying Accounting Policies

EXPENDITURE COMMITMENTS

The Fund has entered into an outsourcing arrangement for the provision of information and communication technology services. It has been determined that since all the significant risks and rewards of ownership are retained by KAZ Technology Services, this arrangement has been classified as expenditure commitments.

Note 28: Key Sources of Estimation Uncertainty

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting periods are:

VALUATION OF ACCRUED BENEFITS

The amount of accrued benefits has been actuarially determined. The key assumptions are discussed in Note 6.

POST-EMPLOYMENT BENEFITS

The amount of post-employment benefits has been actuarially determined. The key assumptions are discussed in Note 16.

Note 29: Accommodation Expenses

	2009 \$'000	2008 \$'000
Lease rentals	2,313	2,723
	2,313	2,723

Note 30: Employee Benefits Expense

	2009 \$'000	2008 \$'000
Salaries	13,801	10,705
Superannuation – defined contribution plans	899	927
Superannuation – defined benefit plans	146	938
Long service leave ^(a)	870	2,173
Annual leave ^(a)	1,797	1,901
Other related expenses	6,547	4,532
	24,060	21,176

(a) Includes a superannuation contribution component.

Employment on-costs such as workers' compensation insurance and payroll tax are included at Note 31 'Other Expenses'.

Note 31: Other Expenses

	2009 \$'000	2008 ^(b) \$'000
Consultants	3,294	5,452
Information technology services	7,127	5,658
Accommodation	2,313	2,723
Printing, Postage and Record Management	2,309	2,727
Professional Fees	2,273	2,974
Promotions & Advertising	1,320	1,087
Other expenses ^(a)	5,425	3,854
	24,061	24,476

(a) Includes workers' compensation insurance, payroll tax and other employment on-costs. Superannuation contributions accrued as part of the provision for leave are employee benefits and are not included in employment on-costs.

(b) The 2007/08 comparatives have been amended to align with the 2008/09 administration expenses disclosure. Previous year's expenditure was disclosed net of GESB Wealth Management Pty Ltd income and expenses.

Note 32: Changes in Net Market Value of Other Assets

	2009 \$'000	2008 \$'000
DEPRECIATION		
Computer hardware	35	10
Office furniture, equipment and renovations	258	145
Total depreciation	293	155
AMORTISATION		
Intangible assets	3,202	2,684
Total amortisation	3,202	2,684
Total depreciation and amortisation	3,495	2,839

Note 33: Intangible Assets

Intangible assets comprise computer software costs and computer software development projects. These assets are recorded at amortised values. Details are as follows:

	2009		2008	
	\$'000	\$'000	\$'000	\$'000
Intangible assets				
Computer software costs	50,161		46,718	
Less: Provision for Amortisation	43,971	6,190	40,769	5,949
Computer software development projects - Works in Progress Costs		5,720	5,154	5,154
		11,910		11,103

Reconciliation of the carrying amounts of each asset class at the beginning and end of the current and previous financial year is set out below:

2009

	COMPUTER SOFTWARE COSTS	COMPUTER SOFTWARE DEVELOPMENT PROJECTS - WORKS IN PROGRESS COSTS	TOTAL
	\$'000	\$'000	\$'000
Carrying amount at start of year	5,949	5,154	11,103
Additions	-	4,009	4,009
Disposals	-	-	-
Transfers	3,443	(3,443)	-
Amortisation expense	(3,202)	-	(3,202)
Carrying amount at end of year	6,190	5,720	11,910

2008

	COMPUTER SOFTWARE COSTS	COMPUTER SOFTWARE DEVELOPMENT PROJECTS - WORKS IN PROGRESS COSTS	TOTAL
	\$'000	\$'000	\$'000
Carrying amount at start of year	6,949	1,343	8,292
Additions	24	5,596	5,620
Disposals	-	(125)	(125)
Transfers	1,660	(1,660)	-
Amortisation expense	(2,684)	-	(2,684)
Carrying amount at end of year	5,949	5,154	11,103

Independent Audit Opinion



Auditor General

INDEPENDENT AUDIT OPINION

To the Parliament of Western Australia

GOVERNMENT EMPLOYEES SUPERANNUATION BOARD FINANCIAL STATEMENTS AND KEY PERFORMANCE INDICATORS FOR THE YEAR ENDED 30 JUNE 2009

I have audited the accounts, financial statements, controls and key performance indicators of the Government Employees Superannuation Board.

The financial statements comprise the Statement of Net Assets as at 30 June 2009, Statement of Changes in Net Assets and a summary of significant accounting policies and other explanatory Notes.

The key performance indicators consist of key indicators of effectiveness and efficiency.

Board's Responsibility for the Financial Statements and Key Performance Indicators

The Board is responsible for keeping proper accounts, and the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Treasurer's Instructions, and the key performance indicators. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements and key performance indicators that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; making accounting estimates that are reasonable in the circumstances; and complying with the Financial Management Act 2006 and other relevant written law.

Summary of my Role

As required by the Auditor General Act 2006, my responsibility is to express an opinion on the financial statements, controls and key performance indicators based on my audit. This was done by testing selected samples of the audit evidence. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion. Further information on my audit approach is provided in my audit practice statement. Refer www.audit.wa.gov.au/pubs/AuditPracStatement_Feb09.pdf.

An audit does not guarantee that every amount and disclosure in the financial statements and key performance indicators is error free. The term "reasonable assurance" recognises that an audit does not examine all evidence and every transaction. However, my audit procedures should identify errors or omissions significant enough to adversely affect the decisions of users of the financial statements and key performance indicators.

Audit Opinion

In my opinion,

- (i) the financial statements are based on proper accounts and present fairly the net assets of the Government Employees Superannuation Board at 30 June 2009 and the changes in net assets for the year ended on that date. They are in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Treasurer's Instructions;
- (ii) the controls exercised by the Board provide reasonable assurance that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions; and
- (iii) the key performance indicators of the Board are relevant and appropriate to help users assess the Board's performance and fairly represent the indicated performance for the year ended 30 June 2009.

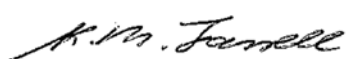


COLIN MURPHY
AUDITOR GENERAL
31 August 2009

Certification of Key Performance Indicators

We hereby submit GESB's key performance indicators to provide measures of effectiveness and efficiency in achieving our Government Goal in 2008/09.

In the opinion of the Board, the key effectiveness and efficiency indicators are based on proper records, are relevant and appropriate for assisting users to assess the performance of GESB, and fairly represent the performance of GESB for the financial year ended 30 June 2009.



K M FARRELL
DEPUTY CHAIRMAN
27 August 2009



P J HARVEY
CHAIRMAN
27 August 2009



Key Performance Indicators

The key performance indicators in this report are produced in order to evaluate GESB's performance in achieving its Government Goal in 2008/09. Included are key effectiveness and efficiency performance indicators required by the *Financial Management Act 2006*. The key effectiveness indicators provide information on the extent to which the Government Goal has been achieved through the funding and production of the agreed service. The key efficiency indicators link the service GESB provides to the level of resource inputs required to produce them.

The Performance Highlights section of the Annual Report includes other relevant measures for illustrative purposes that provide an overview of performance during 2008/09.

GOVERNMENT GOAL

GESB's Government Goal originates from the *State Superannuation Act 2000* and the *State Superannuation Regulations 2001*. GESB's Government Goal is to 'improve the long-term financial well-being of members'.

In achieving this goal, GESB aims to deliver to members a range of competitive products that are relevant to members.

Effectiveness Indicators

1. MEMBERS' OVERALL SATISFACTION WITH GESB

Members' overall satisfaction with GESB has reduced from 90% to 82% this year. This reduction was primarily related to declining investment markets and consistent with industry trends. GESB's member satisfaction remains above industry average.

GESB uses an external market research company to conduct member surveys. A random sampling process was used on a representative base of 947 active Gold State, West State Super and GESB Super members.

947 respondents provide a maximum level of error of up to + or – 2.4% at the 95% level of significance.

	2004/05	2005/06	2006/07	2007/08	2007/08 ACTUAL	2008/09 TARGET
Percentage who are fairly satisfied, satisfied or extremely satisfied	74%	82%	88%	90%	82%	85%

2. INVESTMENT PERFORMANCE

Performance by asset classes

The following table shows the performance of the various asset classes (returns gross of investment fees and applicable taxes) compared to established industry benchmarks. Commentary on asset class performance is provided in the Performance Highlights section of the Annual Report.

		1 YEAR GROSS RETURN %	3 YEAR GROSS RETURN % PA	5 YEAR GROSS RETURN % PA
Asset Class	Cash	4.30	5.77	5.84
Benchmark	UBSA Bank Bill Index	5.48	6.41	6.13
Asset Class	Global Fixed Interest*	9.70	N/A	N/A
Benchmark	55% Barclays Global Aggregate Index AUD Hedged + 45% UBSA Composite Bond Index	10.38	N/A	N/A
Asset Class	Global Property*	-39.35	N/A	N/A
Benchmark	50% S&P/ASX 300 Listed Property Accumulation Index + 50% UBS Global Investors ex Australia AUD Hedged	-41.65	N/A	N/A
Asset Class	International Equities	-25.39	-9.10	-0.50
Benchmark	International Equities Composite Benchmark	-21.93	-9.30	-0.88
Asset Class	Australian Equities	-13.18	-0.75	9.09
Benchmark	S&P/ASX 300 Accumulation Index	-20.34	-3.86	6.79
Asset Class	Private Equity**	-12.66	N/A	N/A
Benchmark	1/3 S&P/ASX 200 Accumulation Index + 2/3 (MSCI World ex Australia Index Net Dividends in AUD Unhedged)	-21.66	N/A	N/A
Asset Class	SRI - Australian Equities **	-20.52	N/A	N/A
Benchmark	S&P/ASX 200 Accumulation Index	-20.14	N/A	N/A
Asset Class	Lower Risk Return ***	N/A	N/A	N/A
Benchmark	UBSA Bank Bill Index	N/A	N/A	N/A
Total Fund		-11.40	-1.66	4.68

* Returns in excess of one year are not available as this asset class was established in 2008, following an asset class restructure

Private Equity and Lower Risk Return are a part of the Alternatives asset class

** SRI - Australian Equities introduced April 2007

*** Lower Risk Return introduced June 2009, therefore no performance figures available

Performance of West State Super plans

The primary objective is to deliver investment performance in excess of explicit Consumer Price Index (CPI) targets over a rolling 5 year period, with a 75% probability of achieving this objective.

The table below shows the actual performance (returns gross of investment fees and applicable taxes) along with the 5 year CPI performance targets.

INVESTMENT PLAN	PRIMARY OBJECTIVE OVER 5 YEAR ROLLING PERIOD WITH A 75% PROBABILITY	5 YEAR TARGET RETURN % PA	5 YEAR GESB GROSS RETURN % PA
Cash Plan	<ul style="list-style-type: none"> ● CPI + 2.2% pa ● The probability of a negative absolute return is expected to be zero 	5.09	6.03
Conservative Plan	<ul style="list-style-type: none"> ● CPI + 3.3% pa ● Limit the probability of a negative absolute return to 1 in 23.8 years 	6.19	5.47
Balanced Plan	<ul style="list-style-type: none"> ● CPI + 3.7% pa ● Limit the probability of a negative absolute return to 1 in 6.4 years 	6.59	4.64
Growth Plan	<ul style="list-style-type: none"> ● CPI + 4.0% pa ● Limit the probability of a negative absolute return to 1 in 5.3 years 	6.89	4.00

The Investment Policy Statement was reviewed in January 2009. The probabilities of negative returns were amended to reflect the latest asset class forecasts of GESB's asset consultant.

The table over the page shows the actual performance (returns gross of investment fees and applicable taxes) along with the benchmark performance of each plan (industry benchmark returns weighted by the appropriate strategic asset allocations of the relevant plan).

Four out of eight West State Super plans exceeded their benchmarks over a one year and six out of eight exceeded their benchmarks over a three year rolling period.

The Balanced Plan (the plan adopted by the majority of West State Super members) achieved a gross return of -10.00% for the year against a benchmark return of -11.20%. The Balanced Plan's three year performance of -0.98% pa exceeded its benchmark by 1.08% pa.

INVESTMENT PLAN		1 YEAR GROSS RETURN %	3 YEAR GROSS RETURN % PA
Investment Plan	Cash Plan	4.52	5.90
Benchmark	UBSA Bank Bill Index	5.48	6.41
Investment Plan	Conservative Plan	-2.52	2.57
Benchmark	Notional Return on Benchmark Allocation	-1.98	2.47
Investment Plan	Balanced Plan	-10.00	-0.98
Benchmark	Notional Return on Benchmark Allocation	-11.20	-2.06
Investment Plan	Growth Plan	-14.71	-3.04
Benchmark	Notional Return on Benchmark Allocation	-16.29	-4.42
Investment Plan	MY Plan – Global Fixed Interest	9.73	5.71
Benchmark	Notional Return on Benchmark Allocation	10.38	6.10
Investment Plan	MY Plan – Listed Properties	-39.19	-18.80
Benchmark	Notional Return on Benchmark Allocation	-41.65	-20.06
Investment Plan	MY Plan – Australian Equities	-13.66	-1.10
Benchmark	Notional Return on Benchmark Allocation	-20.33	-3.88
Investment Plan	MY Plan – International Equities	-25.48	-8.71
Benchmark	Notional Return on Benchmark Allocation	-21.93	-9.24

Performance of GESB Super plans

The primary objective is to deliver investment performance (returns gross of investment fees and applicable taxes) in excess of explicit Consumer Price Index (CPI) targets over a rolling 5 year period, with a 75% probability of achieving this objective.

GESB Super was introduced in April 2007 and accordingly no long term performance numbers are available.

INVESTMENT PLAN	PRIMARY OBJECTIVE OVER 5 YEAR ROLLING PERIOD WITH A 75% PROBABILITY	5 YEAR TARGET RETURN % PA	5 YEAR GESB GROSS RETURN % PA
Cash Plan	<ul style="list-style-type: none"> ● CPI + 1.4% pa ● The probability of a negative absolute return is expected to be zero 	4.29	N/A
Conservative Plan	<ul style="list-style-type: none"> ● CPI + 2.7% pa ● Limit the probability of a negative absolute return to 1 in 15.8 years 	5.59	N/A
Balanced Conservative Plan	<ul style="list-style-type: none"> ● CPI + 3.1% pa ● Limit the probability of a negative absolute return to 1 in 6.7 years 	5.99	N/A
Balanced Growth Plan	<ul style="list-style-type: none"> ● CPI + 3.3% pa ● Limit the probability of a negative absolute return to 1 in 5.8 years 	6.19	N/A
Growth Plan	<ul style="list-style-type: none"> ● CPI + 3.7% pa ● Limit the probability of a negative absolute return to 1 in 4.9 years 	6.59	N/A

The Investment Policy Statement was reviewed in January 2009. The probabilities of negative returns were amended to reflect the latest asset class forecasts of GESB's asset consultant.

The table below shows the actual performance (returns gross of investment fees and applicable taxes) along with the benchmark performance of each plan (industry benchmark returns weighted by the appropriate strategic asset allocations of the relevant plan).

Five out of ten GESB Super plans exceeded their benchmarks over one year.

INVESTMENT PLAN		1 YEAR GROSS RETURN %
Investment Plan	Cash Plan	4.35
Benchmark	UBSA Bank Bill Index	5.48
Investment Plan	Conservative Plan	-4.66
Benchmark	Notional Return on Benchmark Allocation	-3.73
Investment Plan	Balanced Conservative Plan	-10.57
Benchmark	Notional Return on Benchmark Allocation	-11.12
Investment Plan	Growth Plan	-18.68
Benchmark	Notional Return on Benchmark Allocation	-19.38
Investment Plan	Balanced Growth Plan	-13.63
Benchmark	Notional Return on Benchmark Allocation	-14.43
Investment Plan	My Plan – Global Fixed Interest	11.43
Benchmark	Notional Return on Benchmark Allocation	10.38
Investment Plan	My Plan – Listed Properties	-43.69
Benchmark	Notional Return on Benchmark Allocation	-41.65
Investment Plan	My Plan – Australian Equities	-14.87
Benchmark	Notional Return on Benchmark Allocation	-20.33
Investment Plan	My Plan – International Equities	-27.32
Benchmark	Notional Return on Benchmark Allocation	-21.93
Investment Plan	My Plan – SRI Australian Equities	-21.30
Benchmark	Notional Return on Benchmark Allocation	-20.14

Performance of retirement products:

Retirement Income

The primary objective is to deliver investment performance in excess of explicit Consumer Price Index (CPI) targets over a rolling five year period, with a 75% probability of achieving this objective.

The table below shows the actual performance (returns gross of investment fees and applicable taxes) along with the five year CPI performance targets.

INVESTMENT PLAN	PRIMARY OBJECTIVE OVER 5 YEAR ROLLING PERIOD WITH A 75% PROBABILITY	5 YEAR TARGET RETURN % PA	5 YEAR GESB GROSS RETURN % PA
Cash Plan	<ul style="list-style-type: none"> ● CPI + 2.2% pa ● The probability of a negative absolute return is expected to be zero 	5.09	6.01
Conservative Plan	<ul style="list-style-type: none"> ● CPI + 3.4% pa ● Limit the probability of a negative absolute return to 1 in 25.3 years 	6.29	5.92
Balanced Plan	<ul style="list-style-type: none"> ● CPI + 3.9% pa ● Limit the probability of a negative absolute return to 1 in 7.0 years 	6.79	5.57
Growth Plan	<ul style="list-style-type: none"> ● CPI + 4.3% pa ● Limit the probability of a negative absolute return to 1 in 5.6 years 	7.19	5.12

The Investment Policy Statement was reviewed in January 2009. The probabilities of negative returns were amended to reflect the latest asset class forecasts of GESB's asset consultant.

The table below shows the actual performance (returns gross of investment fees and applicable taxes) along with the benchmark performance of each plan (industry benchmark returns weighted by the appropriate strategic asset allocations of the relevant plan).

Five out of eight Retirement Income plans exceeded their benchmarks over a one year and six out of eight exceeded their benchmarks over a three year rolling period.

The Balanced Plan (the plan adopted by the majority of Retirement Income members) achieved a gross return of -8.66% for the year. Over 3 years, the Balanced Plan outperformed its benchmark by 1.62% pa.

	INVESTMENT PLAN	1 YEAR GROSS RETURN %	3 YEAR GROSS RETURN % PA
Investment Plan	Cash Plan	4.51	5.87
Benchmark	UBSA Bank Bill Index	5.48	6.41
Investment Plan	Conservative Plan	-1.83	2.93
Benchmark	Notional Return on Benchmark Allocation	-1.91	2.64
Investment Plan	Balanced Plan	-8.66	-0.19
Benchmark	Notional Return on Benchmark Allocation	-11.12	-1.81
Investment Plan	Growth Plan	-13.54	-2.39
Benchmark	Notional Return on Benchmark Allocation	-16.19	-4.25
Investment Plan	MY Plan – Global Fixed Interest	9.72	5.73
Benchmark	Notional Return on Benchmark Allocation	10.38	6.10
Investment Plan	MY Plan – Listed Properties	-39.05	-18.78
Benchmark	Notional Return on Benchmark Allocation	-41.65	-20.06
Investment Plan	MY Plan – Australian Equities	-11.25	0.10
Benchmark	Notional Return on Benchmark Allocation	-20.33	-3.88
Investment Plan	MY Plan – International Equities	-25.47	-8.73
Benchmark	Notional Return on Benchmark Allocation	-21.93	-9.24

Retirement Income – Term Allocated Pension

The primary objective is to deliver investment performance (returns gross of investment fees and applicable taxes) in excess of explicit Consumer Price Index (CPI) targets over a rolling 5 year period, with a 75% probability of achieving this objective.

The table below shows the five year CPI performance targets.

INVESTMENT PLAN	PRIMARY OBJECTIVE OVER 5 YEAR ROLLING PERIOD WITH A 75% PROBABILITY.	5 YEAR TARGET RETURN % PA	5 YEAR GESB GROSS RETURN % PA
Cash Plan*	<ul style="list-style-type: none"> • CPI + 2.2% pa • The probability of a negative absolute return is expected to be zero 	5.09	5.97
Conservative Plan*	<ul style="list-style-type: none"> • CPI + 3.4% pa • Limit the probability of a negative absolute return to 1 in 25.3 years 	6.29	4.69
Balanced Plan*	<ul style="list-style-type: none"> • CPI + 3.9% pa • Limit the probability of a negative absolute return to 1 in 7.0 years 	6.79	4.09
Growth Plan *	<ul style="list-style-type: none"> • CPI + 4.3% pa • Limit the probability of a negative absolute return to 1 in 5.6 years 	7.19	0.51

* Since inception performance used for plans with less than 5 years performance but have at least 3 years performance history. The Investment Policy Statement was reviewed in January 2009. The probabilities of negative returns were amended to reflect the latest asset class forecasts of GESB's asset consultant.

The table shows the actual performance (returns gross of investment fees and applicable taxes) along with the benchmark performance of each plan (industry benchmark returns weighted by the appropriate strategic asset allocations of the relevant plan).

Five out of eight Retirement Income Term Allocated Pension (RI-TAP) plans exceeded their benchmarks over a one year and six out of eight exceeded their benchmarks over three year rolling period.

	INVESTMENT PLAN	1 YEAR GROSS RETURN %	3 YEAR GROSS RETURN % PA
Investment Plan	Cash Plan	4.51	5.91
Benchmark	UBSA Bank Bill Index	5.48	6.41
Investment Plan	Conservative Plan	-1.53	3.04
Benchmark	Notional Return on Benchmark Allocation	-1.91	2.64
Investment Plan	Balanced Plan	-8.31	-0.09
Benchmark	Notional Return on Benchmark Allocation	-11.12	-1.81
Investment Plan	Growth Plan	-13.07	-2.18
Benchmark	Notional Return on Benchmark Allocation	-16.19	-4.25
Investment Plan	MY Plan – Global Fixed Interest	9.70	5.71
Benchmark	Notional Return on Benchmark Allocation	10.38	6.10
Investment Plan	MY Plan – Listed Properties	-39.07	-18.80
Benchmark	Notional Return on Benchmark Allocation	-41.65	-20.06
Investment Plan	MY Plan – Australian Equities	-11.41	0.09
Benchmark	Notional Return on Benchmark Allocation	-20.33	-3.88
Investment Plan	MY Plan – International Equities	-25.47	-8.72
Benchmark	Notional Return on Benchmark Allocation	-21.93	-9.24

Gold State Super, Pension and Provident Schemes

The assets of the defined benefits schemes, Gold State Super, Pension and Provident Schemes, are pooled into a single strategy and are invested with a common asset allocation to manage the funded liability on behalf of the State. That strategy achieved a gross return of -16.51% for the year, outperforming the asset weighted benchmark by 1.38%. Over the three year period the strategy has achieved a return of -4.14% pa, exceeding its benchmark by 1.16% pa, largely due to strong relative returns from GESB's equity managers.

	INVESTMENT PLAN	1 YEAR GROSS RETURN %	3 YEAR GROSS RETURN % PA
Investment Plan	Gold State, Pension and Provident	-16.51	-4.14
Benchmark	Notional Return on Benchmark Allocation	-17.89	-5.30

The Schemes also have a longer term objective of exceeding the CPI by 4% per annum over rolling five year periods, which underperformed by 3.34% pa to 2008/09.

The primary objective is to deliver investment performance in excess of explicit Consumer Price Index (CPI) targets over a rolling 5 year period, with a 75% probability of achieving this objective.

The table below shows the actual performance (returns gross of fees and applicable taxes) along with the 5 year CPI performance targets.

INVESTMENT SCHEME	INVESTMENT PLAN	5 YEAR TARGET RETURN % PA	5 YEAR GESB GROSS RETURN % PA
Gold State, Pension and Provident	<ul style="list-style-type: none"> ● CPI + 4.0% pa ● Limit the probability of the funding index (Assets/Accrued Benefits) being below 100% to less than 1 in 5 years. 	6.89	3.55

Efficiency Indicators

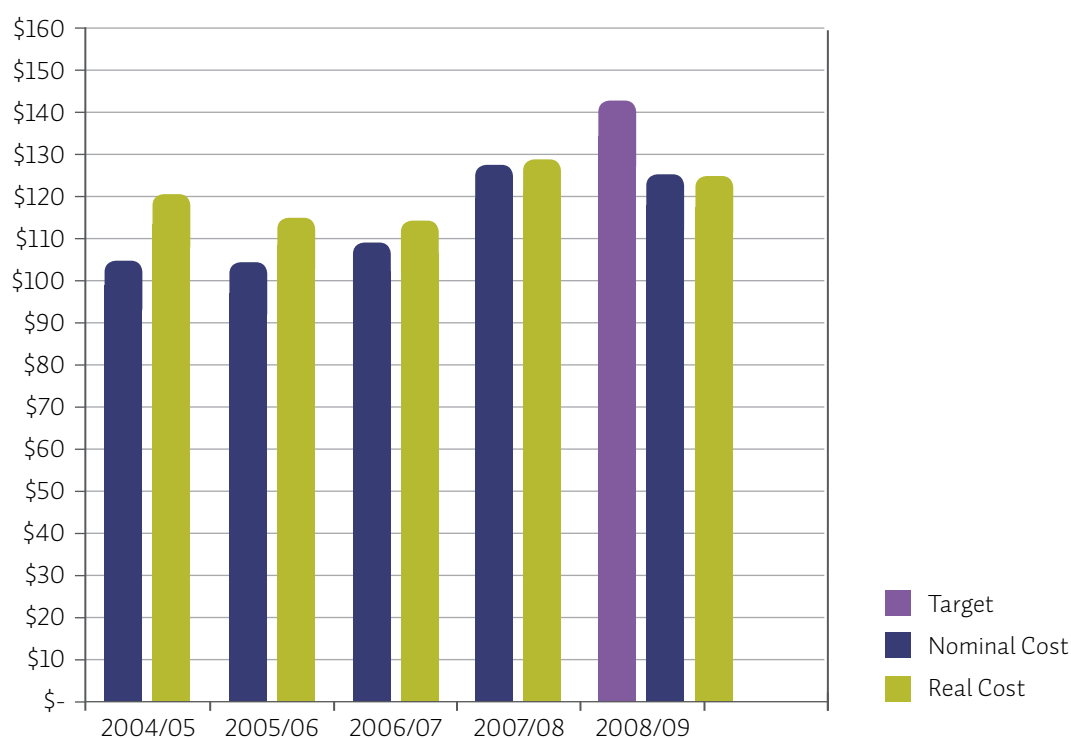
1. AVERAGE COST PER MEMBER ACCOUNT

The average cost per member of administering the schemes decreased by 3% in real terms and 2% in nominal terms compared to the previous year and is 14% under target due to both cost savings and higher than targeted member account numbers. The cost savings have been achieved as a result of a cost review which was undertaken during the year in response to the impacts on the business from the global financial crisis. Effective cost management has a positive impact on member balances and the Defined Benefit expense reserves, which delivers benefits to both members and the State.

The direct transition to choice costs of \$3.3 million for 2007/08 and \$5.7 million for 2008/09 have been excluded from the total administration costs in order to maintain comparability with prior years' figures.

	2004/05	2005/06	2006/07	2007/08	2008/09*	2008/09 TARGET
Nominal Cost	\$105.24	\$105.09	\$107.74	\$126.54	\$123.94	\$143.64
Real Cost	\$120.42	\$114.83	\$114.15	\$128.30	\$123.94	\$143.64

* This is the base year, so nominal and real costs are the same.



2. INVESTMENT MANAGEMENT COST AS A PERCENTAGE OF PORTFOLIO MEAN VALUE INVESTED (MANAGEMENT EXPENSE RATIO)

The cost of managing GESB's investments is an important element in assessing investment performance in addition to achieving above benchmark returns within agreed risk levels. Besides direct investment management costs incurred by GESB, external specialist investment managers are appointed to invest funds in specific asset classes. Both internal and external management costs have been included in determining this indicator. The indicator reflects the cost of managing investments as a proportion of the average total portfolio value invested for the year. This indicator is normally referred to as a Management Expense Ratio (MER).

Disciplined control over investment costs contributed to the MER being contained to 0.37% for 2008/09 outperforming its target of 0.39%. This results in positive impacts for both members and the assets backing the funded Defined Benefit liabilities. The increase of 0.01% from the prior year was mainly due to a reduction of average funds under management during the year.

MANAGEMENT EXPENSE RATIO	2004/05	2005/06	2006/07	2007/08	2008/09	2008/09 TARGET
Management Expense Ratio - Investment Management Costs as a Percentage of Portfolio Mean Value Invested	0.35	0.36	0.34	0.36	0.37	0.39

Appendices

Contents

- 1Government Goals
- 2Schemes Design
- 3Investment Schedules
- 4Legislation Administered
- 5Budget Estimate 2009/10
- 6Publications



Appendix 1 - Government Goals

The WA State Government has recently replaced its Government Desired Outcomes with Government Goals.

GESB's contribution to the achievement of these Government Goals is indirect as our immediate mandate is to act in the best interests of members. Unlike other Government agencies GESB provides superannuation services to current and former public sector employees and their partners, rather than all Western Australians. Good governance underpins GESB's performance as a Crown agency delivering benefits to the State as well as fulfilling our mandate to act in the best interests of our members.

STRONGER FOCUS ON THE REGIONS

GESB has a diverse member base with a significant number of members in regional Western Australia (approximately 82,000). GESB aims to deliver value to all members through the products and services it offers and to that end GESB has expanded our regional strategy which will increase the services provided to our regional members. GESB is cognisant of the need for our regional members to have access to the same superannuation education and financial advice services as their metropolitan counterparts and this focus will continue in 2009/10.

FINANCIAL AND ECONOMIC RESPONSIBILITY

The Board is responsible for managing the GES Fund on behalf of the State and our members. GESB's scale, diverse investment strategy and focus on governance have allowed GESB to remain one of the best value for money superannuation providers nationally and have resulted in sound investment performance for members and the State in terms of their defined benefit investment.

Given the impact of the global financial crisis and in recognition of the potential impact on the State's defined benefit liability, the Board requested its Actuary to evaluate the State's defined benefit liability and highlight any actions required to ensure GESB continued to manage the State's investment in a prudent and responsible manner.

OUTCOMES BASED SERVICE DELIVERY

Values guide how we work together, to ensure we achieve the goals we set ourselves in delivering the best possible outcomes on behalf of our members, whose interests are at the core of everything we do.

- Members First
- Achieve Together
- Sustainable Performance
- Act with Integrity

GESB measures our performance using both effectiveness and efficiency indicators. These indicators are explained in more detail in the Key Performance Indicators section of the Financial Statements. In summary, GESB measures our effectiveness using a member satisfaction and investment performance indicator. These indicators highlight that despite the prevailing and very challenging economic environment in 2008/09 member satisfaction for 2008/09 remained above the industry average at 82%, and in difficult economic conditions, the defined benefit plan returned -16.51% (outperforming its benchmark of -17.89%) whilst GESB's West State Balanced Plan returned a -10% (outperforming its benchmark of -11.20%).

GESB measures our efficiency through the average cost per member account and the investment management expense ratio (MER). The average cost per member account decreased by 14% against target compared to the previous year due to the implementation of cost savings and efficiencies. The MER remained low at 0.37%. Effective cost management has a positive impact on member balances and the Defined Benefit expense reserves, which delivers benefits to both members and the State.

STATE SUPERANNUATION ACT 2000

Functions:

- Administer the Act
- Manage the Fund
- Administer the schemes
- Provide information, advice and assistance to the Minister and the Treasurer on matters relating to superannuation
- Provide, or facilitate the provision of, products and services to:
 - Members of superannuation schemes administered by the Board under this Act or any other written law
 - Employers
- Perform any other functions conferred under any other written law

FINANCIAL AND ECONOMIC RESPONSIBILITY

“Responsibly managing the State’s finances through the efficient and effective delivery of services, encouraging economic activity and reducing regulatory burdens on the private sector.”

STRONGER FOCUS ON THE REGIONS

“Greater focus on service delivery, infrastructure investment and economic development to improve the overall quality of life in remote and regional areas.”

OUTCOMES BASED SERVICES DELIVERY

“Greater focus on achieving results in key service delivery areas for the benefit of all Western Australians.”

GESB’S PURPOSE

To improve the long-term financial well-being of our members.

GESB’S VISION

To be the leading wealth management provider for Western Australians.

Appendix 2 – Schemes Design

GESB administers five superannuation schemes for current and past WA public sector employees – GESB Super, West State Super, Gold State Super, the Pension Scheme and the Provident Account. The Provident Account was closed in 1986 and has only five remaining members. Details of this scheme are therefore not provided.

In addition, GESB has three schemes for retiring members: Retirement Income Allocated Pension; Retirement Income Term Allocated Pension; and GESB Super (Retirement Access).

The rules of GESB Super, West State Super, Gold State Super, GESB Super (Retirement Access), Retirement Income Allocated Pension and Retirement Income Term Allocated Pension 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* and are continued under section 29(c) of the *State Superannuation Act 2000*.

GESB Super

GESB SUPER IS A TAXED, MARKET LINKED, ACCUMULATION SUPERANNUATION SCHEME THAT WAS ESTABLISHED WITH EFFECT FROM 16 APRIL 2007.

Members' account balances build up over time from employer contributions, member voluntary contributions and rollovers from other funds, as well as investment earnings. As a contribution is made to a member's account, the dollar value of that contribution purchases new units in the chosen Investment Plan (i.e. members 'buy' units at the daily unit price). The reverse applies when a member exits an Investment Plan or takes a benefit payment. Members can choose from a range of five 'readymade' Investment Plans or from an alternative asset allocation under the 'My Plan' option. A member may apply to change their choice of investment strategy at no cost.

MEMBERSHIP

There are two categories of membership in GESB Super – statutory and voluntary. All new employees joining the Western Australian public sector on or after 16 April 2007 automatically become statutory members, provided they do not have an existing West State Super account.

Members of Gold State Super and the Pension scheme may become voluntary members of GESB Super provided they do not have an existing West State Super account. Partners of GESB members may also become voluntary members of GESB Super, provided they do not have an existing West State Super account.

Members with an existing West State Super account are unable to open a GESB Super account.

CONTRIBUTIONS

The compulsory (statutory) employer contribution to GESB Super is in line with the Commonwealth's Superannuation Guarantee (SG) requirement, being 9% of salary. Members can make additional (voluntary) contributions to the scheme. Members can also make a Spouse Contribution on behalf of their partner.

FEES

Fees and insurance premiums are deducted from GESB Super member accounts monthly.

The fees are an Account Keeping Fee of \$5.50 per month on all GESB Super accounts, whether 'active' or inactive', an Administration Expense Ratio fee which is 0.15% pa pro rata of the end-of-month balance of the account.

All GESB Super accounts that have a total balance of less than \$1,000 at 30 June each year are 'protected'. This means that, subject to the member protection fee applying, the administration fees for that financial year will not exceed the investment earnings. However, these accounts will still be impacted by taxes, insurance premiums and, where applicable, negative investment returns. A member protection fee of \$10 pa will be applied to accounts subject to member protection where the administration fees of the fund during a year exceed the investment income of the fund. This adjustment is made on 30 June each year.

An Investment Management Fee or Management Expense Ratio (MER) fee is an annual percentage fee applied to cover the cost of managing the scheme's investments including a proportion allocated to risk reserves. This fee is reviewed and adjusted during each year to take account of prevailing investment expenses. The actual MER can only be determined at the end of each financial year. The MER is calculated on a per annum basis as a percentage of the value of the member's funds and is deducted before the unit price is calculated. The estimated MERs for the Readymade Plans for 2008/09 ranged from 0.16% for the Cash Plan to 0.39% for the Growth Plan.

The cost of Death and Total and Permanent Disablement (TPD) insurance cover varies according to the member's age, gender, occupation category, type

and amount of cover. The cost of Salary Continuance Insurance (SCI) cover varies according to the member's age, gender, occupation, amount of cover and waiting period selected.

BENEFITS

When a member reaches preservation age (currently from age 55 years) and is no longer gainfully employed they are entitled to a lump sum benefit of an amount equal to their account balance.

If the member is eligible for insurance cover, an additional insured benefit is payable if the member dies (prior to age 70) or becomes totally and permanently disabled while working (prior to age 65). Members may also receive an insured benefit under the Salary Continuance Insurance (SCI) cover for up to two years if they become disabled due to injury, sickness or disease.

PORTABILITY / PRESERVATION

Where a member ceases employment from the WA public sector before preservation age, their benefit can be preserved in the Fund or can be rolled over to another complying superannuation fund.

GESB members may roll over superannuation benefits from other superannuation funds into their GESB Super account.

INSURANCE

There are three types of insurance cover offered within GESB Super: Death, Total and Permanent Disablement (TPD) and Salary Continuance Insurance (SCI). The insurance cover is provided through the Insurer, AIA (Australia) Limited.

Statutory members (those receiving compulsory SG

employer contributions) aged 64 years and under are eligible for Death and TPD cover. Death cover expires at age 70 and TPD cover expires at age 65.

Statutory members (those receiving compulsory SG employer contributions) aged 64 years and under are eligible for SCI cover. SCI cover expires at age 65.

Members can elect to:

- Keep the level and type of insurance cover provided by GESB Super
- Increase, decrease or fix the level of insurance cover (members may need to meet certain eligibility requirements to increase their insurance cover)
- Opt-out of part or all of the insurance cover

The insured benefit varies according to the member's age, gender, occupation category, type, amount of cover and waiting period selected (for Salary Continuance Insurance). Insurance cover will generally cease because:

- The member turns age 65 for TPD and SCI cover or age 70 for death cover
- The member cancel their insurance cover
- The member closes their GESB Super account
- The member permanently retires from the workforce, dies, or a claim for TPD is paid
- The premium was not paid (and remains unpaid)

Voluntary members of GESB Super (i.e. members who do not receive compulsory SG employer contributions into their GESB Super account) are not eligible for automatic insurance cover, but they can apply to be underwritten.

West State Super

WEST STATE SUPER IS AN ACCUMULATION STYLE SUPERANNUATION SCHEME.

Members' account balances build up over time from employer contributions, member voluntary contributions and rollovers from other funds, as well as investment earnings. As a contribution is made to a member's account, the dollar value of that contribution purchases new units in the chosen Investment Plan (i.e. members' 'buy' units at the daily unit price). The reverse applies when a member exits an Investment Plan or takes a benefit payment. Members can choose from a range of four 'readymade' Investment Plans, or from an alternative asset allocation under the 'My Plan' option. A member may apply to change their choice of investment strategy at no additional cost.

MEMBERSHIP

On 16 April 2007 West State Super was closed to new members except for a class of persons approved by the Treasurer. From this date, all new super accounts are opened in GESB Super.

CONTRIBUTIONS

The compulsory (statutory) employer contribution to West State Super is in line with the Commonwealth's Superannuation Guarantee (SG) requirement, being 9% of salary. Members can make additional (voluntary) contributions to the scheme. Members can also make a Partner Contribution on behalf of their partner.

FEES

Fees and insurance premiums are deducted from West State Super member accounts monthly.

The fees are an Account Keeping Fee of \$5.50 per month on all West State Super accounts, whether 'active' or 'inactive', and an Administration Expense Ratio fee which is 0.15% pa pro rata of the end-of-month balance of the account.

All West State Super accounts that have a total balance of less than \$1,000 at 30 June each year are 'protected'. This means that subject to the member protection fee applying, the administration fees for that financial year will not exceed the investment earnings.

However, these accounts will still be impacted by taxes, insurance premiums and, where applicable, negative investment returns. A member protection fee of \$10 pa will be applied to accounts subject to member protection where the administration fees of the fund during a year exceed the investment income of the fund. This adjustment is made on 30 June each year.

An Investment Management Fee or Management Expense Ratio (MER) fee is an annual percentage fee applied to cover the cost of managing the scheme's investments including a proportion allocated to risk reserves. This fee is reviewed and adjusted during each year to take account of prevailing investment expenses. The actual MER can only be determined at the end of each financial year. The MER is calculated on a per annum basis as a percentage of the value of the member's funds and is deducted before the unit price is calculated. The estimated MERs for the Readymade Plans for 2008/09 ranged from 0.16% for the Cash Plan to 0.38% for the Growth Plan.

The cost of Death and TPD insurance cover varies according to the member's age, gender, occupation category, type and amount of cover. The cost of SCI cover varies according to the member's age, gender, occupation, amount of cover and waiting period selected.

BENEFITS

When a member reaches preservation age (currently from age 55 years) and is no longer gainfully employed they are 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 2% pa until retirement date.

If the member is eligible for insurance cover, an additional insured benefit is payable if the member dies (prior to age 70) or becomes totally and permanently disabled while working (prior to age 65). Members may also receive an insured benefit under the Salary Continuance Insurance (SCI) cover for up to two years if they become disabled due to injury, sickness or disease.

PORTABILITY/PRESERVATION

Where a member ceases employment from the WA public sector before preservation age, their benefit can be preserved in the Fund or can be rolled over to another

complying superannuation fund. West State Super members may roll over superannuation benefits from other superannuation funds into their West State Super accounts.

INSURANCE

There are four types of insurance cover offered within West State Super: Partial and Permanent Disablement (PPD), Death, TPD and SCI. The insurance cover other than PPD, is provided through the Insurer, AIA Australia Limited. The PPD cover is self insured.

Statutory members (those receiving compulsory SG employer contributions) aged 64 years and under are eligible for Death and TPD cover. Death cover expires at age 70 and TPD cover expires at age 65.

Statutory members are entitled to PPD. A member can make a PPD claim if:

- At the time the illness or injury is first suffered, you were entitled to insurance cover; and
- You are not covered by the new insurance benefits in relation to that claim.

To be eligible for PPD you must:

- Be employed in the WA public sector and have received a superannuation guarantee contribution
- Be aged less than 60 years of age; and
- Have never opted out of insurance cover.

PPD cover automatically ceases on your 60th birthday or when you are no longer working in the WA public sector.

Statutory members (those receiving compulsory SG employer contributions) aged 64 years and under are eligible for SCI cover. SCI cover expires at age 65.

Members can elect to:

- Keep the level and type of insurance cover provided by West State Super
- Increase, decrease or fix the level of insurance cover, other than the level of PPD cover (members may need to meet certain eligibility requirements to increase their insurance cover)
- Opt-out of part (other than PPD only) or all of the insurance cover

The insured benefit varies according to the member's age, gender, occupation category, type, amount of cover and waiting period selected (for Salary Continuance Insurance). Insurance cover will generally cease because:

- The member turns age 65 for TPD and SCI cover or age 70 for death cover
- The member cancel their insurance cover
- The member closes their West State Super account
- The member permanently retires from the workforce, dies, or a claim for TPD is paid
- The premium was not paid (and remains unpaid)

Voluntary members of West State Super (i.e. members who do not receive compulsory SG employer contributions into their GESB Super account) are not eligible for insurance cover.

Gold State Super

GOLD STATE SUPER IS A DEFINED BENEFIT, LUMP SUM SCHEME IN WHICH BENEFITS ARE CALCULATED USING A MULTIPLE OF FINAL REMUNERATION AND YEARS OF SERVICE.

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 defer or suspend contributions during periods of recognised unpaid leave, such as parental leave and sick leave, exceeding three months.

FEES

No separate administration or insurance fees are charged to members as these costs are built into the scheme benefit design.

BENEFITS

A Gold State Super Contributory Service Benefit is equal to 20% of the member's final remuneration, for each year of full-time equivalent service, assuming a 5% average contribution rate. A proportionally 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

Where a member ceases State Government employment before age 55 years, their benefit will generally be preserved in the Fund and indexed at an assumed salary growth factor equal to the Perth CPI rate plus 1% each year.

Preserved benefits are generally payable at age 55 years, or later, following retirement from the State public sector, but can be paid earlier if a member dies or becomes permanently disabled. Members under age 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.

Gold State Super members may roll over superannuation benefits from other superannuation funds into a West State Super or GESB Super account.

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, their account benefit to date plus an insured benefit that is the equivalent of the additional benefit they would have accrued 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 SG rate, the member's final remuneration and the length of future service to age 60 years.

Where a member is permanently disabled from working in their usual job, but has the capacity to undertake different employment, a partial and permanent disability benefit may be paid. The insured component of a disability benefit is based on their loss in income earning capacity.

Any insured cover above the 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.

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.

FEES

No separate administration or insurance fees are charged to members as these costs are built into the scheme benefit design.

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% of the member's salary at the date of retirement. The maximum pension is approximately 60% 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.

Where the pensioner dies and is survived by a spouse or de facto partner, that person is entitled to a reduced pension equal to two thirds of the member's notional pension value at their date of death.

Where 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 were retrenched or transferred to the private sector on or after 12 June 1995 and are under age 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 an employer - financed lump sum benefit equal to 12% of final salary for each year of their State Government service plus the sum of their personal contributions and interest to the Pension Scheme.

INSURANCE

Where a member retires on invalidity grounds, they receive a pension as if they had retired at their elected retiring age. Commutation is not permitted with an Invalid Pension.

GESB Super (Retirement Access)

GESB SUPER (RETIREMENT ACCESS) IS A LUMP SUM MARKET-LINKED ACCUMULATION SCHEME FOR MEMBERS WHO WANT TO MANAGE THEIR BENEFIT IN RETIREMENT. THIS SCHEME WAS FORMERLY KNOWN AS THE RETIREMENT ACCESS SCHEME.

Members' account balances build up over time from employer contributions, member voluntary contributions and rollovers from other funds, as well as investment earnings. As a contribution is made to a member's account, the dollar value of that contribution allows new units to be purchased in the chosen Investment Plan (i.e. members 'buy' units at the daily unit price). The reverse applies when a member exits an Investment Plan or takes a benefit payment. Members can choose from a range of five 'readymade' Investment Plans or from an alternative asset allocation under the 'My Plan' option. A member may apply to change their choice of investment strategy at no additional cost.

MEMBERSHIP

The scheme closed to new members from March 2008.

CONTRIBUTIONS

GESB Super (Retirement Access) members can make additional (voluntary) contributions to the scheme. Members may roll over superannuation benefits from other superannuation funds into their GESB Super (Retirement Access) accounts.

FEES

Fees and insurance premiums are deducted from GESB Super (Retirement Access) member accounts monthly.

Fees include an Account Keeping Fee of \$5.50 per month on all GESB Super (Retirement Access) accounts, an Administration Expense Ratio fee which is 0.15% pa pro rata of the end-of-month balance of the account.

All GESB Super (Retirement Access) accounts that have a total balance of less than \$1,000 at 30 June each year are 'protected'. This means that subject to the member protection fee applying, the administration fees for that financial year will not exceed the investment earnings. A member protection fee of \$10 pa will be applied to accounts subject to member protection where the administration fees of the fund during a year exceed the investment income of the fund. This adjustment is made on 30 June each year.

However, these accounts will still be impacted by taxes, insurance premiums and, where applicable, negative investment returns.

An Investment Management Fee or Management Expense Ratio (MER) fee is an annual percentage fee applied to cover the cost of managing the scheme's investments including a proportion allocated to risk reserves. This fee is reviewed and adjusted during each year to take account of prevailing investment expenses. The actual MER can only be determined at the end of each financial year. The MER is calculated on a per annum basis as a percentage of the value of the member's funds and is deducted before the unit price is calculated. The estimated MERs for the Readymade Plans for 2008/09 ranged from 0.16% for the Cash Plan to 0.39% for the Growth Plan.

BENEFITS

Members can access some or all of their funds at any time. There is no limit on the number of withdrawals made, providing each withdrawal is \$1,000 or more. The remaining funds stay invested in the scheme.

A GESB Super (Retirement Access) account can be closed at any time by withdrawing the full account balance, or by transferring the whole account balance to another fund to purchase a regular income stream, such as an allocated pension. On death, the balance of the account will be paid to the member's estate.

Retirement Income Allocated Pension

RETIREMENT INCOME ALLOCATED PENSION IS AN ACCOUNT BASED INCOME STREAM. FUNDS GROW WITH INVESTMENT EARNINGS BASED ON THE INVESTMENT PLAN CHOSEN. MEMBERS CAN CHOOSE FROM A RANGE OF FOUR 'READYMADE' INVESTMENT PLANS OR FROM AN ALTERNATIVE ASSET ALLOCATION UNDER THE 'MY PLAN' OPTION. A MEMBER MAY APPLY TO CHANGE THEIR CHOICE OF INVESTMENT STRATEGY AT NO ADDITIONAL COST.

MEMBERSHIP

Generally, a Retirement Income Allocated Pension account can be opened by a current or former member of GESB Super, GESB Super (Retirement Access), West State Super or Gold State Super members who have retired and are aged over 55. There are also other circumstances in which an account may be opened, for example, by a member aged under 55 who is entitled to a disability benefit. Pension Scheme retirees may also transfer any commuted lump sum component of their pension to Retirement Income Allocated Pension. Additionally, membership is open to former members of the above schemes and their partners if they are entitled to immediate payment of a benefit from a superannuation fund or any other eligible termination payment.

CONTRIBUTIONS

The minimum entry amount is \$30,000. Additional superannuation with funds other than GESB may be transferred into the Fund before investing in Retirement Income Allocated Pension. Once the Retirement Income Allocated Pension account is opened, members cannot make additional contributions or roll in money from other funds into an existing account. However, they may establish an additional Retirement Income Allocated Pension account with a minimum opening balance of \$10,000.

FEES

A single annual management fee of up to 1.2% of assets is charged depending on the investment plan selected by the member, and covers investment and administration costs.

BENEFITS

Members choose the level of pension payments they require between the minimum and maximum amounts set by Commonwealth laws. Payments can be made

monthly, quarterly or annually and the frequency can be changed at any time. Additional lump sum payments of \$1,000 or more can be withdrawn at any time.

With Retirement Income Allocated Pension, members can close the account at any time simply by withdrawing all the funds. On death, the balance of the account is paid to the member's estate or alternatively, the member may nominate a dependant to receive a reversionary pension.

Note: Maximum annual pension amounts apply where the pension is established under Transition to Retirement rules.

Retirement Income Term Allocated Pension

RETIREMENT INCOME TERM ALLOCATED PENSION IS FOR MEMBERS WHO ARE LOOKING FOR A REGULAR INCOME STREAM IN RETIREMENT.

Unlike the Allocated Pension, a Term Allocated Pension provides an income over a fixed term based on the member's life expectancy and lump sum withdrawals are not permitted. This means that the level of income itself is not able to be selected by the member.

Retirement Income Term Allocated Pension is an account based income stream. Funds grow with investment earnings based on the investment plan chosen. Members can choose from a range of four 'readymade' Investment Plans or from an alternative asset allocation under the 'My Plan' option. A member may apply to change their choice of investment strategy at no additional cost.

MEMBERSHIP

A Retirement Income Term Allocated Pension scheme was closed to new members in September 2007.

CONTRIBUTIONS

Once the Retirement Income Term Allocated Pension account is opened, members cannot make additional contributions or roll in money from other funds into an existing account. However, they may establish an additional Retirement Income Allocated Pension account with a minimum opening balance of \$10,000.

FEES

A single annual management fee of up to 1.2% of assets is charged depending on the investment plan selected by the member, and covers investment and administration costs.

BENEFITS

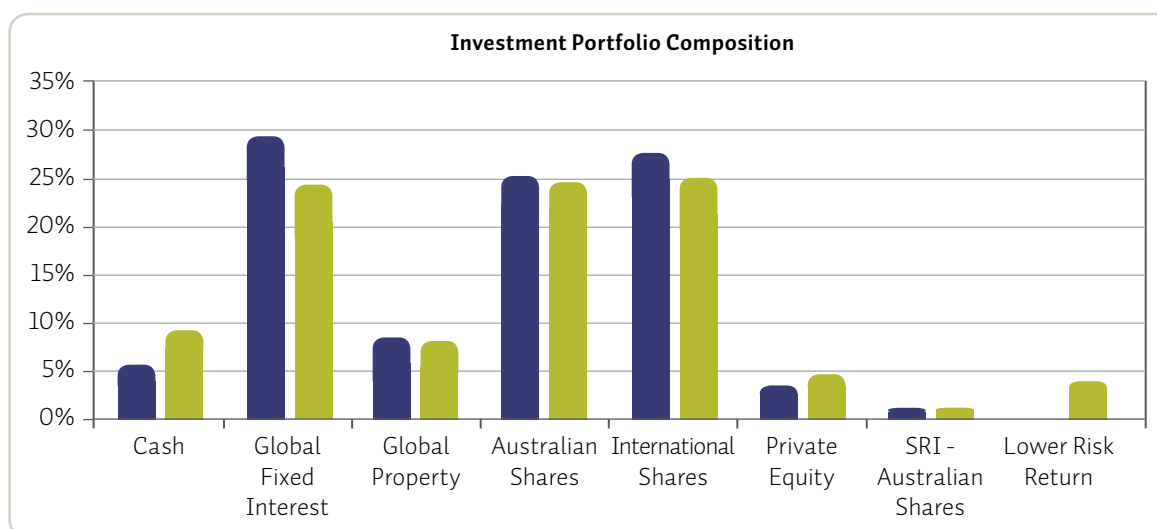
Members choose the term of pension they require from a range linked to their life expectancy or that of their spouse and can vary their annual pension amount by plus or minus 10% of the calculated payment for the year. Payments can be made monthly, quarterly or annually and the frequency can be changed at any time.

Appendix 3 – Investment Schedules

Investment Portfolio Composition

The table below represents the split of assets in the investment portfolio for the last two years as at 30 June 2009.

	2007/08		2008/09	
	\$M	TOTAL %	\$M	TOTAL %
Cash	503.9	5.7	775.2	9.2
Global Fixed Interest	2,574.6	29.4	2,053.2	24.3
Global Property	677.5	7.7	643.2	7.6
Australian Equities	2,224.2	25.3	2,056.9	24.4
SRI - Australian Equities	91.7	1.0	91.1	1.1
International Equities	2,415.3	27.6	2,119.4	25.1
Private Equity*	288.8	3.3	371.5	4.4
Lower Risk Return*	0.0	0.0	329.8	3.9
Total	8,776.0	100.0	8,440.3	100.0



2007/08 ■ 2008/09 ■

* Private Equity and Lower Risk Return are a part of the Alternatives asset class.

Strategic Asset Allocations

Actual asset allocations for the West State Super diversified plans and Gold State Super, Pension and Provident Schemes relative to the strategic asset allocations as at 30 June 2009.

	GOLD STATE SUPER/ PENSION SCHEME/ PROVIDENT SCHEME	CASH	CONSERVATIVE	BALANCED	GROWTH
Cash	0.00%	100.00%	27.94%	0.00%	0.00%
SAA	0.00%	100.00%	28.00%	0.00%	0.00%
Global Fixed Interest	14.89%	0.00%	35.42%	33.33%	20.31%
SAA	14.90%	0.00%	35.60%	33.80%	19.90%
Private Equity*	6.80%	0.00%	2.23%	4.33%	5.39%
SAA	6.10%	0.00%	2.10%	4.10%	5.10%
Australian Equities	29.84%	0.00%	10.59%	23.07%	27.51%
SAA	29.60%	0.00%	10.30%	22.50%	27.60%
SRI- Australian Equities	1.01%	0.00%	1.03%	0.99%	1.99%
SAA	1.00%	0.00%	1.00%	1.00%	2.00%
International Equities	33.72%	0.00%	14.18%	25.77%	32.09%
SAA	34.70%	0.00%	14.40%	26.50%	32.70%
Lower Risk Return*	3.49%	0.00%	5.49%	5.05%	3.54%
SAA	3.50%	0.00%	5.50%	5.00%	3.50%
Global Property	10.25%	0.00%	3.12%	7.46%	9.17%
SAA	10.20%	0.00%	3.10%	7.10%	9.20%
Growth/Defensive	80/20	0/100	30/70	60/40	75/25

SAA: Strategic Asset Allocation

Note: All non-cash investment options have an indirect cash allocation which is derived from a specific 2% cash allocation within each asset class.

* Private Equity and Lower Risk Return are a part of the Alternatives asset class.

Actual asset allocations for the West State Super MY Plans relative to the strategic asset allocations as at 30 June 2009.

ASSET CLASS	MY PLAN GLOBAL FIXED INTEREST	MY PLAN AUSTRALIAN EQUITIES	MY PLAN INTERNATIONAL EQUITIES	MY PLAN PROPERTY
Cash	0.00%	0.00%	0.00%	0.00%
SAA	0.00%	0.00%	0.00%	0.00%
Global Fixed Interest	100.00%	0.00%	0.00%	0.00%
SAA	100.00%	0.00%	0.00%	0.00%
Private Equity*	0.00%	0.00%	0.00%	0.00%
SAA	0.00%	0.00%	0.00%	0.00%
Australian Equities	0.00%	95.00%	0.00%	0.00%
SAA	0.00%	95.00%	0.00%	0.00%
SRI- Australian Equities	0.00%	5.00%	0.00%	0.00%
SAA	0.00%	5.00%	0.00%	0.00%
International Equities	0.00%	0.00%	100.00%	0.00%
SAA	0.00%	0.00%	100.00%	0.00%
Lower Risk Return*	0.00%	0.00%	0.00%	0.00%
SAA	0.00%	0.00%	0.00%	0.00%
Global Property	0.00%	0.00%	0.00%	100.00%
SAA	0.00%	0.00%	0.00%	100.00%

SAA: Strategic Asset Allocation

Note: All non-cash investment options have an indirect cash allocation which is derived from a specific 2% cash allocation within each asset class.

* Private Equity and Lower Risk Return are a part of the Alternatives asset class.

Actual asset allocations for the GESB Super (including GESB Super (Retirement Access)) diversified plans relative to the strategic asset allocations as at 30 June 2009.

ASSET CLASS	CASH	CONSERVATIVE	BALANCED CONSERVATIVE	BALANCED GROWTH	GROWTH
Cash	100.00%	26.94%	0.00%	0.00%	0.00%
SAA	100.00%	27.00%	0.00%	0.00%	0.00%
Global Fixed Interest	0.00%	32.17%	33.31%	24.53%	11.42%
SAA	0.00%	32.00%	33.30%	24.60%	11.30%
Private Equity*	0.00%	2.23%	4.35%	5.37%	5.37%
SAA	0.00%	2.10%	4.10%	5.10%	5.10%
Australian Equities	0.00%	15.38%	26.65%	31.87%	36.75%
SAA	0.00%	15.40%	26.60%	31.60%	36.70%
SRI- Australian Equities	0.00%	1.00%	1.00%	1.01%	2.00%
SAA	0.00%	1.00%	1.00%	1.00%	2.00%
International Equities	0.00%	13.22%	22.11%	24.99%	32.18%
SAA	0.00%	13.40%	22.40%	25.50%	32.70%
Lower Risk Return*	0.00%	4.99%	5.48%	3.96%	2.00%
SAA	0.00%	5.00%	5.50%	4.00%	2.00%
Global Property	0.00%	4.07%	7.10%	8.27%	10.28%
SAA	0.00%	4.10%	7.10%	8.20%	10.20%
Growth/Defensive	0/100	35/65	60/40	70/30	85/15

SAA: Strategic Asset Allocation

Note: All non-cash investment options have an indirect cash allocation which is derived from a specific 2% cash allocation within each asset class.

* Private Equity and Lower Risk Return are a part of the Alternatives asset class.

Actual asset allocations for the GESB Super (including GESB Super (Retirement Access)) MY Plans relative to the strategic asset allocations as at 30 June 2009.

ASSET CLASS	MY PLAN GLOBAL FIXED INTEREST	MY PLAN AUSTRALIAN EQUITIES	MY PLAN INTERNATIONAL EQUITIES	MY PLAN PROPERTY	MY PLAN SRI - AUST EQUITIES
Cash	0.00%	0.00%	0.00%	0.00%	0.00%
SAA	0.00%	0.00%	0.00%	0.00%	0.00%
Global Fixed Interest	100.00%	0.00%	0.00%	0.00%	0.00%
SAA	100.00%	0.00%	0.00%	0.00%	0.00%
Private Equity*	0.00%	0.00%	0.00%	0.00%	0.00%
SAA	0.00%	0.00%	0.00%	0.00%	0.00%
Australian Equities	0.00%	95.03%	0.00%	0.00%	0.00%
SAA	0.00%	95.00%	0.00%	0.00%	0.00%
SRI- Australian Equities	0.00%	4.97%	0.00%	0.00%	100.00%
SAA	0.00%	5.00%	0.00%	0.00%	100.00%
International Equities	0.00%	0.00%	100.00%	0.00%	0.00%
SAA	0.00%	0.00%	100.00%	0.00%	0.00%
Lower Risk Return*	0.00%	0.00%	0.00%	0.00%	0.00%
SAA	0.00%	0.00%	0.00%	0.00%	0.00%
Global Property	0.00%	0.00%	0.00%	100.00%	0.00%
SAA	0.00%	0.00%	0.00%	100.00%	0.00%

SAA: Strategic Asset Allocation

Note: All non-cash investment options have an indirect cash allocation which is derived from a specific 2% cash allocation within each asset class.

* Private Equity and Lower Risk Return are a part of the Alternatives asset class.

Actual asset allocations for the Retirement Income diversified plans relative to the strategic asset allocations as at 30 June 2009.

ASSET CLASS	CASH	CONSERVATIVE	BALANCED	GROWTH
Cash	100.00%	27.72%	0.00%	0.00%
SAA	100.00%	28.00%	0.00%	0.00%
Global Fixed Interest	0.00%	35.21%	33.44%	20.52%
SAA	0.00%	35.60%	33.30%	20.00%
Private Equity*	0.00%	2.25%	4.32%	5.37%
SAA	0.00%	2.10%	4.10%	5.10%
Australian Equities	0.00%	13.78%	26.68%	31.31%
SAA	0.00%	13.40%	26.60%	31.60%
SRI - Australian Equities	0.00%	1.03%	1.00%	1.99%
SAA	0.00%	1.00%	1.00%	2.00%
International Equities	0.00%	11.32%	21.96%	28.12%
SAA	0.00%	11.30%	22.40%	28.60%
Lower Risk Return*	0.00%	5.45%	5.47%	3.49%
SAA	0.00%	5.50%	5.50%	3.50%
Global Property	0.00%	3.24%	7.13%	9.20%
SAA	0.00%	3.10%	7.10%	9.20%
Growth/Defensive	0/100	30/70	60/40	75/25

SAA: Strategic Asset Allocation

Note: All non-cash investment options have an indirect cash allocation which is derived from a specific 2% cash allocation within each asset class.

* Private Equity and Lower Risk Return are a part of the Alternatives asset class.

Actual asset allocations for the Retirement Income MY Plans relative to the strategic asset allocations as at 30 June 2009.

ASSET CLASS	MY PLAN GLOBAL FIXED INTEREST	MY PLAN AUSTRALIAN EQUITIES	MY PLAN INTERNATIONAL EQUITIES	MY PLAN PROPERTY
Cash	0.00%	0.00%	0.00%	0.00%
SAA	0.00%	0.00%	0.00%	0.00%
Global Fixed Interest	100.00%	0.00%	0.00%	0.00%
SAA	100.00%	0.00%	0.00%	0.00%
Private Equity*	0.00%	0.00%	0.00%	0.00%
SAA	0.00%	0.00%	0.00%	0.00%
Australian Equities	0.00%	95.01%	0.00%	0.00%
SAA	0.00%	95.00%	0.00%	0.00%
SRI- Australian Equities	0.00%	4.99%	0.00%	0.00%
SAA	0.00%	5.00%	0.00%	0.00%
International Equities	0.00%	0.00%	100.00%	0.00%
SAA	0.00%	0.00%	100.00%	0.00%
Lower Risk Return*	0.00%	0.00%	0.00%	0.00%
SAA	0.00%	0.00%	0.00%	0.00%
Global Property	0.00%	0.00%	0.00%	100.00%
SAA	0.00%	0.00%	0.00%	100.00%

SAA: Strategic Asset Allocation

Note: All non-cash investment options have an indirect cash allocation which is derived from a specific 2% cash allocation within each asset class.

* Private Equity and Lower Risk Return are a part of the Alternatives asset class.

Actual asset allocations for the Retirement Income – Term Allocated Pension diversified plans relative to the strategic asset allocations as at 30 June 2009.

ASSET CLASS	CASH	CONSERVATIVE	BALANCED	GROWTH
Cash	100.00%	28.08%	0.00%	0.00%
SAA	100.00%	28.00%	0.00%	0.00%
Global Fixed Interest	0.00%	36.08%	34.23%	20.60%
SAA	0.00%	35.60%	33.30%	20.00%
Private Equity*	0.00%	2.21%	4.35%	5.39%
SAA	0.00%	2.10%	4.10%	5.10%
Australian Equities	0.00%	13.13%	25.91%	31.82%
SAA	0.00%	13.40%	26.60%	31.60%
SRI- Australian Equities	0.00%	0.98%	0.98%	1.95%
SAA	0.00%	1.00%	1.00%	2.00%
International Equities	0.00%	10.95%	21.94%	27.90%
SAA	0.00%	11.30%	22.40%	28.60%
Lower Risk Return*	0.00%	5.54%	5.61%	3.44%
SAA	0.00%	5.50%	5.50%	3.50%
Global Property	0.00%	3.03%	6.98%	8.90%
SAA	0.00%	3.10%	7.10%	9.20%
Growth/Defensive	0/100	30/70	60/40	75/25

SAA: Strategic Asset Allocation

Note: All non-cash investment options have an indirect cash allocation which is derived from a specific 2% cash allocation within each asset class.

* Private Equity and Lower Risk Return are a part of the Alternatives asset class.

Actual asset allocations for the Retirement Income – Term Allocated Pension MY Plans relative to the strategic asset allocations as at 30 June 2009.

ASSET CLASS	MY PLAN GLOBAL FIXED INTEREST	MY PLAN AUSTRALIAN EQUITIES	MY PLAN INTERNATIONAL EQUITIES	MY PLAN PROPERTY
Cash	0.00%	0.00%	0.00%	0.00%
SAA	0.00%	0.00%	0.00%	0.00%
Global Fixed Interest	100.00%	0.00%	0.00%	0.00%
SAA	100.00%	0.00%	0.00%	0.00%
Private Equity*	0.00%	0.00%	0.00%	0.00%
SAA	0.00%	0.00%	0.00%	0.00%
Australian Equities	0.00%	95.01%	0.00%	0.00%
SAA	0.00%	95.00%	0.00%	0.00%
SRI- Australian Equities	0.00%	4.99%	0.00%	0.00%
SAA	0.00%	5.00%	0.00%	0.00%
International Equities	0.00%	0.00%	100.00%	0.00%
SAA	0.00%	0.00%	100.00%	0.00%
Lower Risk Return*	0.00%	0.00%	0.00%	0.00%
SAA	0.00%	0.00%	0.00%	0.00%
Global Property	0.00%	0.00%	0.00%	100.00%
SAA	0.00%	0.00%	0.00%	100.00%

SAA: Strategic Asset Allocation

Note: All non-cash investment options have an indirect cash allocation which is derived from a specific 2% cash allocation within each asset class.

* Private Equity and Lower Risk Return are a part of the Alternatives asset class.

External Investment Managers as at 30 June 2009

TYPE OF ASSET	MANAGER
Cash	Macquarie Investment Management Ltd Western Australian Treasury Corporation
Australian Equities	Fortis Investment Management Australia Limited AMP Capital Investors Ltd Tribeca Investment Management Ltd Aviva Investors Australia Limited (formerly known as Portfolio Partners Ltd) Perennial Value Management Ltd SG Hiscock and Company
SRI Australian Equities	AMP Capital Investors Ltd
International Equities	Genesis Fund Managers Limited GMO Australia Ltd Lazard Asset Management Pacific Co. Newton Investment Management Limited State Street Global Advisors Australia Ltd
Global Fixed Interest	Aberdeen Investment Management Australia Ltd (formerly known as Credit Suisse Asset Management (Australia) Ltd) UBS Asset Management (Australia) Ltd AMP Capital Investors Ltd Pacific Investment Management Company (PIMCO) Wellington Management Company, LLP
Global Property	Deutsche Asset Management (Australia) Ltd Vanguard Investments Australia Ltd CB Richard Ellis Global Real Estate Securities, LLC SG Hiscock and Company
Lower Risk Return*	Macquarie Investment Management Ltd
Private Equity*	Macquarie Investment Management Ltd

Benchmarks

The table below shows the performance benchmarks used for each of GESB's asset classes.

CASH	UBSA BANK BILL INDEX
Australian Equities	S&P/ASX 300 Accumulation Index
SRI Australian Equities	S&P/ASX 200 Accumulation Index
International Equities	International Equities Composite Benchmark
Global Fixed Interest	55% Barclays Global Aggregate Index AUD Hedged + 45% UBSA Composite Bond Index
Global Property	50% S&P/ASX 300 Listed Property Accumulation Index + 50% UBS Global Investors ex Australia AUD Hedged
Private Equity*	1/3 S&P/ASX 200 Accumulation Index + 2/3 (MSCI World ex Australia Index Net Dividends in AUD, unhedged)
Lower Risk Return*	UBSA Bank Bill Index

* Private Equity and Lower Risk Return are a part of the Alternatives asset class.

Appendix 4 – Legislation Administered

DURING 2008/09, GESB WAS DIRECTLY RESPONSIBLE FOR ADMINISTERING THE FOLLOWING STATE LEGISLATION:

- STATE SUPERANNUATION ACT 2000
- STATE SUPERANNUATION REGULATIONS 2001
- SUPERANNUATION AND FAMILY BENEFITS ACT 1938 ¹

State Legislation Impacting on Activities

As a State public sector entity and employer, GESB was responsible for complying with a wide range of State legislation.

This includes:

- Corruption and Crime Commission Act 2003
- Disability Services Act 1993
- Electoral Act 1907
- Equal Opportunity Act 1984
- Fair Trading Act 1987
- Financial Management Act 2006
- Freedom of Information Act 1992
- Industrial Relations Act 1979
- Minimum Conditions of Employment Act 1993
- Occupational Safety and Health Act 1984
- Parliamentary Commissioner Act 1971
- Pay-roll Tax Assessment Act 2002
- Public Interest Disclosure Act 2003
- Public Sector Management Act 1994
- Salaries and Allowances Act 1975
- State Records Act 2000
- State Supply Commission Act 1991
- Statutory Corporations (Liability of Directors) Act 1996
- Unclaimed Money (Superannuation and RSA Providers) Act 2003
- Unclaimed Money Act 1990
- Workers' Compensation and Rehabilitation Act 1981.

Commonwealth Legislation Impacting on Activities

The Commonwealth legislative compliance requirements during 2008/09 include the following:

- Age Discrimination Act 2004
- A New Tax System (Goods and Services Tax) Act 1999
- Anti-Money Laundering and Counter-Terrorism Financing Act 2006
- Bankruptcy Act 1966
- Corporations Act 2001
- Child Support (Registration and Collection) Act 1988
- Disability Discrimination Act of 1992
- Fair Work Act 2009
- Family Law Act 1975
- Financial Sector (Collection of Data) Act 2001
- Financial Transaction Reports Act 1988
- Income Tax Assessment Act 1936
- Income Tax Assessment Act 1997
- Privacy Act 1988 2
- Retirement Savings Accounts Act 1997
- Sex Discrimination Act 1984
- Superannuation Contributions Tax (Members of Constitutionally Protected Superannuation Funds)
- Superannuation Contributions Tax Assessment and Collection Act 1997
- Superannuation Guarantee (Administration) Act 1992
- Superannuation (Resolution of Complaints) Act 1993
- Superannuation (Unclaimed Money and Lost Members) Act 1999 2
- Trade Practices Act 1974
- Veterans' Entitlements Act 1986
- Workplace Relations Act 1996
- Superannuation Industry (Supervision) Act 1993.

¹ The provisions of the Superannuation and Family Benefits Act 1938 are deemed to continue under section 26 of the State Superannuation (Transitional and Consequential Provisions) Act 2000.

² While not required to comply with this legislation, as a matter of best practice GESB has implemented a Privacy Policy and procedures that adopt the guiding principles of the Privacy Act 1988, and reports lost members in accordance with the Superannuation (Unclaimed Money and Lost members) Act 1999.

Appendix 5 – Budget Estimate 2009/10

STATEMENT OF CHANGES IN NET ASSETS FOR FINANCIAL YEAR ENDING 30 JUNE 2010

	BUDGET \$'000
NET ASSETS AVAILABLE TO PAY BENEFITS AT THE BEGINNING OF THE FINANCIAL YEAR	7,691,742
REVENUE	
INVESTMENT INCOME	
Realised Income	0
Realised Changes in Net Market Value of Investment Assets	0
Unrealised Changes in Net Market Value of Investment Assets	0
Income from Investments ¹	0
SUPERANNUATION REVENUE	
Contributions	
Member	289,647
Employer	1,046,828
Rollover into Retirement Products	218,567
Inward Transfer from other Funds	310,919
Other Income	5,806
	1,871,767
TOTAL REVENUE	1,871,767
EXPENSES	
Superannuation Benefit Payments	1,136,081
Administration Expenses	41,690
Choice Expenses	15,566
Group Life Insurance Premiums	59,594
GWM Financial Advice Fees	2,634
Investment Expenses	26,877
Changes in Net Market Value of Other Assets	3,489
Loan Interest	31,532
TOTAL EXPENSES	1,317,463
CHANGE IN NET ASSETS BEFORE INCOME TAX	554,304
INCOME TAX EXPENSE	38,594
CHANGE IN NET ASSETS AFTER INCOME TAX	515,710
NET ASSETS AVAILABLE TO PAY BENEFITS AT THE END OF THE FINANCIAL YEAR	8,207,452

Note 1: Investment returns are assumed to be 0% for 2009/10 and then returning to the long term investment rate of 7.7%

BUDGET STATEMENT OF NET ASSETS FOR FINANCIAL YEAR ENDING 30 JUNE 2010

	BUDGET 2010 \$'000
ASSETS	
Cash and Cash Equivalents	45,596
Investments	8,630,042
Plant and Equipment	1,950
Intangible Assets	15,541
Receivables	8,091
Prepayments	2,292
Deferred Tax Assets	6,814
TOTAL ASSETS	8,710,326
LIABILITIES	
Contributions Paid in Advance	10,387
Unpaid and Accrued Liabilities	2,971
Payables	23,698
Provision for Employee Entitlements	4,405
Provision for Post Employment Liabilities	3,027
Interest Bearing Loans and Borrowings	448,572
Current Tax Liabilities	9,814
TOTAL LIABILITIES	502,874
NET ASSETS AVAILABLE TO PAY BENEFITS	8,207,452

Appendix 6 – Publications

GESB produces and continually updates a range of publications specific to each scheme so that our members are provided with the latest information relevant to them. We aim to explain our schemes in plain English so members can understand their options and entitlements and employer agencies can understand their superannuation obligations. Below is a list of our main publications.

PUBLICATIONS

For all members

- + Some brochure and form – personal top-up contributions
- Super Rollin (1Place) brochure and form – consolidation of super
- Partner Contribution Brochure and form – explains the benefits and features of making partner contributions
- Member Online Brochure – shows how to register for the online account service
- Commonwealth Government Super Co-contributions fact sheet
- Proof of Identity fact sheet
- Complete List of Authorised Persons
- Tax and Super fact sheet
- Transfer to GESB Super form
- Performance Watch – Quarterly Investment Performance Reports
- Super Matters
- Monthly Investment Update
- Transition to Retirement fact sheet
- Financial advice tailored just for you
- GESB Financial Advice Financial Services Guide

For GESB Super members

- Your Complete Guide to GESB Super – Product Information Booklet
- GESB Super Essentials – a summary of the key features and benefits of GESB Super
- Investment Choice
- Schedule of Fees
- Contributions Splitting fact sheet and form
- GESB Super Member Induction flyer
- Hands on Retirement newsletter

For West State Super members

- Your Complete Guide to West State Super – Product Information Booklet
- Schedule of Fees

For GESB Super and West State Super members

- Insurance Application form
- Insurance Variation form
- Salary Sacrifice fact sheet
- Super and Insurance fact sheet – Protecting yourself and your family
- Super Outlook newsletter

For Gold State Super members

- Gold State Super Essentials – explains the benefits and features of Gold State Super
- Going Part-time fact sheet
- Salary Maintenance fact sheet
- Growing Your Super with Salary Sacrifice fact sheet
- Taking Unpaid Leave fact sheet
- Your Super and Tax fact sheet
- Your Super and Divorce fact sheet
- Your Super and Insurance fact sheet
- Resigning from the WA Public Sector fact sheet
- Your Super and Redundancy fact sheet

For Retirement Income members

- Retirement Income Product Information Booklet – explains the benefits and features of Retirement Income Allocated Pension
- Hands on Retirement
- Schedule of Fees
- Change of Details form
- Withdrawal form
- Investment Choice form

For employer agencies

- GESB Profile
- Products and Services
- How GESB's fees compare
- Investment profile
- GESB Super induction flyers – the basics for new employees
- Transition to Retirement – features and benefits
- Departmental Report for Gold State Super Members form
- Notification of Unpaid leave form

Other publications

- Annual Reports
- Freedom of Information Statement
- Previous issues of Employer newsletters and member reports
- Resolving your complaint

Website

These publications are available on the GESB website at gesb.com.au

How to contact GESB

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Member Services Centre 13 GESB (4372)
Facsimile 1800 300 067
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