

# Annual Report

2007/2008





**To the Hon Ljiljanna Ravlich MLC,**

Minister for Local Government; Racing and Gaming; Multicultural Interests and Citizenship; Government Enterprises; Minister Assisting the Minister for Planning and Infrastructure; Goldfields-Esperance; Youth.

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 2008.

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

A handwritten signature in black ink, reading "P J Harvey".

**P J HARVEY**  
**CHAIRMAN**  
28 August 2008

A handwritten signature in black ink, reading "Michel Dolin".

**M DOLIN**  
**CHIEF EXECUTIVE OFFICER**  
28 August 2008

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## GESB profile

GESB IS THE LARGEST WA-BASED SUPERANNUATION PROVIDER. GESB HAS A 69-YEAR TRACK RECORD AND AS AT THE END OF JUNE 2008, MANAGED AN INVESTMENT PORTFOLIO OF AROUND \$9 BILLION FOR OVER 290,000 MEMBERS.

GESB's primary purpose is to improve the long-term financial well-being of its members. The organisation offers a range of competitive superannuation and retirement products, sound investment returns, competitive fees, excellent member services, and financial advice.

### OUR VISION

To be the leading wealth management mutual for Western Australians.

### OUR PURPOSE

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



## Joint report from the Chairman and Chief Executive Officer



*It is with pleasure that we report on GESB's activities for the past year, 2007/08. We expect 2007/08 to be GESB's final full year of operations in its traditional structure as a Government owned superannuation organisation.*

The final formalities providing for GESB to be restructured into essentially two separate organisations, of which one would be owned by its members and the other would become the State Superannuation Board, are expected to be completed during the next few months.

GESB had an eventful year as it prepared for mutualisation, originally scheduled for 1 July 2008. As GESB prepared to become a public offer fund, a great deal of additional work was required by the Board and staff to ensure that the necessary changes were made.

The need to separate the defined benefit schemes from the accumulation schemes required that consideration was given to a multiplicity of issues. These issues included the ongoing legal structure, future Board membership, organisational changes, licence applications to the new federal regulators, preparation for the introduction of choice, significant systems changes, the allocation of reserves and advice to members. In the event, mutualisation was delayed and is now expected to occur in the 2008/09 financial year.

In spite of the distractions of mutualisation, GESB remained conscious of the need to continue to service its members. Hence, there was an ongoing focus during the year on providing members, and employers, with the best possible customer service. For example, the GESB website was upgraded to provide members with personalised information, interactive calculators and improved online access to their account.

In addition, GESB's relatively new financial advisory service attracted increasing attention from members and provided many members with important personalised financial advice. During the next few years, GESB expects this part of its business to grow significantly, as members continue to seek good, unbiased, financial planning advice.

In November 2007, transition to retirement was introduced for Gold State Super and Pension Scheme members. All GESB members are now able to access superannuation and retirement products that support a managed transition to retirement.

During the year, GESB received industry recognition for its GESB Super and Retirement Income Allocated Pension products. SuperRatings awarded platinum ratings, the highest possible rating, for both GESB Super and GESB Retirement Income Allocated Pension. Chant West awarded their highest 5 Apple rating to the same products.

The latter part of the year was notable for the challenging world investment scene. After almost five years of double digit growth, the fall-out from the sub-prime mortgage problems in the USA, rising oil prices and a slowing in the world economy resulted in negative returns in most traditional investment areas.

During the year, GESB reviewed its investment strategies, taking into account industry best practice and developments and opportunities within the global asset management sector. Consistent with this approach, GESB undertook a structural review of its asset classes; it consolidated some existing asset classes and prepared for the introduction of new alternative asset sectors. GESB continued to focus on investments that provide members with appropriate diversification and sound returns in the long term.

A disciplined focus on cost management meant GESB's Investment Management Expense Ratio was contained to 0.36% for the year, compared to the industry average of 0.76%.

To drive cost efficiency and process improvements throughout the business, work was undertaken during the year to improve information systems and management reporting. The financial statement disclosures were updated to reflect the impact of 'AASB 7 - Financial Instruments: Disclosures' for the year end.

GESB's people management approach aimed to align its strengths and competencies to deliver on the strategic direction. GESB continued to attract high calibre individuals to join the team, as it prepared for mutualisation.

We take this opportunity to thank GESB directors and staff for their considerable contributions and commitment throughout the year. Special acknowledgment goes to Cheryl Robertson. Ms Robertson served on the Board from 2003; her term expired in February 2008. We welcomed Richard Alder to the Board in March 2008.

In addition, we acknowledge the support and guidance received during the year from the Minister for Government Enterprises, the Hon Ljiljanna

Ravlich MLC, and the Treasurer, the Hon Eric Ripper MLA. GESB also received great support from the Hon Kate Doust MLC, particularly in relation to the amendments to the State Superannuation Act considered by Parliament during the year.

In the year ahead we will continue to focus on serving the best interests of members.

*Michel Dolin*

**Michele Dolin**

*Phil Harvey*

**Phil Harvey**





## Investment performance

### **CORPORATE OBJECTIVE**

TO ACHIEVE SOUND INVESTMENT RETURNS FOR GIVEN RISK PROFILES FOR MEMBERS THROUGH DIVERSIFIED AND COST EFFECTIVE INVESTMENTS THAT OUTPERFORM BENCHMARKS.

### **PERFORMANCE HIGHLIGHTS**

- GESB's funds under management was \$8.78 billion at 30 June 2008.
- Global investment market volatility had a significant effect on super funds during 2007/08. After three years of investment returns that were well above average, all major growth asset classes, including shares and property, produced negative returns in 2007/08.
- The West State Super Balanced Plan achieved a gross return of -6.33% for the 12 months to June 2008. Strong performances from GESB's equity managers resulted in the Plan outperforming its asset-weighted benchmark by 1.76%. Against its primary investment objective of CPI plus 3.7% pa over rolling five year periods, the plan has returned 9.68% pa, outperforming this target by 2.88% pa.
- The combined Gold State Super, Pension and Provident Schemes achieved a gross return of -10.73% for the 12 months to June 2008. Against their primary objective of CPI plus 4% pa over rolling five year periods, the Schemes in aggregate out-performed by 3.53% pa.
- A number of strategic initiatives were implemented during the year. These included realignment of our asset class structure in May and a review of the cash management and liquidity structures in June.
- A disciplined focus on cost management resulted in GESB's Investment Management Expense Ratio being contained to 0.36% for the year. As a result of the falls in equity and listed property markets, the total investment portfolio decreased by 1.57% from \$8.92 billion as at 30 June 2007 to \$8.78 billion as at 30 June 2008. The defined benefit schemes accounted for \$2.47 billion, West State Super for \$5.37 billion, GESB Super for \$0.45 billion and Retirement Income for \$0.49 billion.

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GESB'S INVESTMENT BENCHMARKS USED THROUGHOUT THIS ANNUAL REPORT ARE BASED ON INDUSTRY STANDARDS AS RECOMMENDED BY OUR ASSET CONSULTANT.

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## West State Super

## DIVERSIFIED PLAN PERFORMANCE (GROSS) – ONE, THREE AND FIVE YEARS

INVESTMENT PLAN	1 YEAR	3 YEAR	5 YEAR
	GROSS RETURN %	GROSS RETURN % PA	GROSS RETURN % PA
<b>Cash Plan</b> UBSA Australian Bank Bill Index	<b>6.56</b> 7.34	<b>6.47</b> 6.51	<b>6.24</b> 6.09
<b>Conservative Plan</b> Notional Return on Benchmark Allocation	<b>0.00</b> -0.88	<b>6.22</b> 5.77	<b>7.75</b> 7.30
<b>Balanced Plan</b> Notional Return on Benchmark Allocation	<b>-6.33</b> -8.09	<b>7.08</b> 6.24	<b>9.68</b> 9.03
<b>Growth Plan</b> Notional Return on Benchmark Allocation	<b>-9.46</b> -11.44	<b>7.73</b> 6.62	<b>10.72</b> 9.92

Three out of four West State Super Readymade Plans outperformed their asset weighted benchmarks for the year. On a five year rolling basis, all Plans outperformed their benchmarks.

Though the retracement in markets gave rise to a -6.33% gross return from the West State Super Balanced Plan in the past 12 months, the five year return to 30 June 2008 is still 9.68% pa and the Growth Plan returned 10.72% p.a. over the same period. Further, strong performances from GESB's equity managers resulted in the Balanced and Growth Plans outperforming their asset weighted benchmarks for the year by 1.76% and 1.98% respectively.

Performance against the Board approved primary investment objectives for all Readymade Plans in West State Super are shown below.

INVESTMENT PLAN	PRIMARY OBJECTIVE OVER 5 YEAR ROLLING PERIOD WITH A 75% PROBABILITY	5 YEAR TARGET RETURN % PA	5 YEAR GESB GROSS RETURN % PA
<b>CASH PLAN</b>	<ul style="list-style-type: none"> <li>CPI + 2.2% p.a.</li> <li>Limit the probability of a negative absolute return in any one year</li> </ul>	5.30	6.24
<b>CONSERVATIVE PLAN</b>	<ul style="list-style-type: none"> <li>CPI + 3.3% p.a.</li> <li>Limit the probability of a negative absolute return to 1 in 9.5 years</li> </ul>	6.40	7.75
<b>BALANCED PLAN</b>	<ul style="list-style-type: none"> <li>CPI + 3.7% p.a.</li> <li>Limit the probability of a negative absolute return to 1 in 4.9 years</li> </ul>	6.80	9.68
<b>GROWTH PLAN</b>	<ul style="list-style-type: none"> <li>CPI + 4.0% p.a.</li> <li>Limit the probability of a negative absolute return to 1 in 4.3 years</li> </ul>	7.10	10.72

## GESB Super

GESB Super was inceptioned during April 2007 and accordingly no long term performance numbers are available. Below are the Board approved performance objectives.

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"> <li>• CPI + 1.4% p.a.</li> <li>• Limit the probability of a negative absolute return in any one year</li> </ul>	4.50	N/A
CONSERVATIVE PLAN	<ul style="list-style-type: none"> <li>• CPI + 2.7% p.a.</li> <li>• Limit the probability of a negative absolute return to 1 in 7.1 years</li> </ul>	5.80	N/A
BALANCED CONSERVATIVE PLAN	<ul style="list-style-type: none"> <li>• CPI + 3.1% p.a.</li> <li>• Limit the probability of a negative absolute return to 1 in 4.6 years</li> </ul>	6.20	N/A
BALANCED GROWTH PLAN	<ul style="list-style-type: none"> <li>• CPI + 3.3% p.a.</li> <li>• Limit the probability of a negative absolute return to 1 in 4.2 years</li> </ul>	6.40	N/A
GROWTH PLAN	<ul style="list-style-type: none"> <li>• CPI + 3.7% p.a.</li> <li>• Limit the probability of a negative absolute return to 1 in 3.9 years</li> </ul>	6.80	N/A

\* GESB Super was inceptioned in April 2007.

## Gold State Super and Pension Scheme

INVESTMENT SCHEME	PRIMARY OBJECTIVE OVER 5 YEAR ROLLING PERIOD WITH A 75% PROBABILITY.	5 YEAR TARGET RETURN % PA	5 YEAR GESB GROSS RETURN % PA
Gold State, Pension and Provident	<ul style="list-style-type: none"> <li>• CPI + 4.0% p.a.</li> <li>• Limit the probability of the funding index (Assets / Accrued Benefits) being below 100% to less than 1 in 5 years</li> </ul>	7.10	10.63

The assets of the defined benefits schemes, Gold State Super and the Pension Scheme, are pooled into a single strategy and invested with a common asset allocation. That strategy achieved a gross return of -10.73% for the 12 months to 30 June 2008. On a rolling three year basis this strategy has achieved a return of 7.54% pa, exceeding its asset-weighted benchmark by 0.93% p.a. due to strong performances from GESB's equity managers. Measured against its primary investment objective, CPI plus 4% p.a. over rolling five year periods, the Gold State Super and Pension strategy out-performed by 3.53% p.a. to 30 June 2008.



## 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. Consistent with this approach, GESB undertook a structural review of its asset class pools during the year, consolidating some existing asset classes and preparing for the introduction of new alternative asset sectors.

Three existing asset sectors, Australian fixed interest, inflation linked bonds and global fixed interest were consolidated to form a new asset class pool, global bonds. The combined strategy affords enhanced diversification benefits from a broader investable universe and mitigates the risk of being exposed to a specific country's interest rate or credit cycle. The other key development was the formation of an integrated property strategy by consolidating the Australian and international listed property pools. This represents the first step in developing a globally-diversified listed and unlisted property strategy.

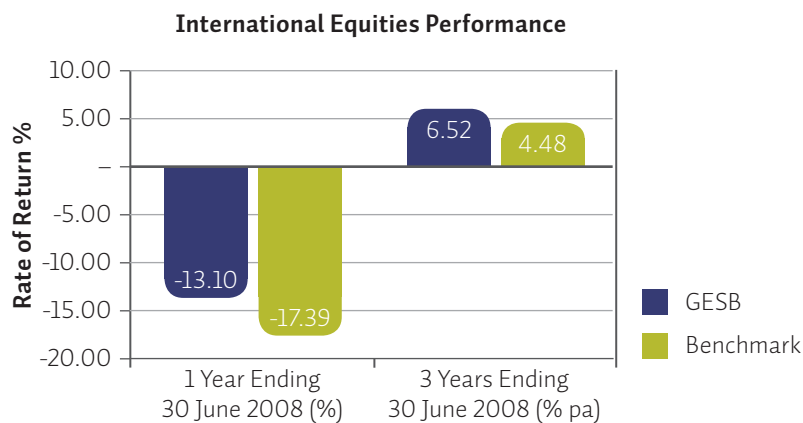
As part of the ongoing development and diversification of GESB's portfolio, a growth alternatives asset pool has been established. GESB's well established and successful private equity portfolio forms part of the growth alternatives strategy and further strategies will be introduced in due course.

### ASSET CLASS PERFORMANCE

The year to June 2008 saw significant volatility across all major asset classes driven by the collapse of the US sub-prime mortgage market. Global financial institutions, including investment and retail banks, insurance companies and stock brokers were the worst affected as they were forced to write down their asset valuations aggressively. To date over US\$400bn has been written-off, forcing these financial institutions to recapitalise their balance sheets with major central banks having to inject billions of dollars of cash to restore liquidity and confidence in the global financial system. As a result, investors became risk averse, aggressively selling out of equities and seeking the relative safety of government bonds.

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

### INTERNATIONAL EQUITIES



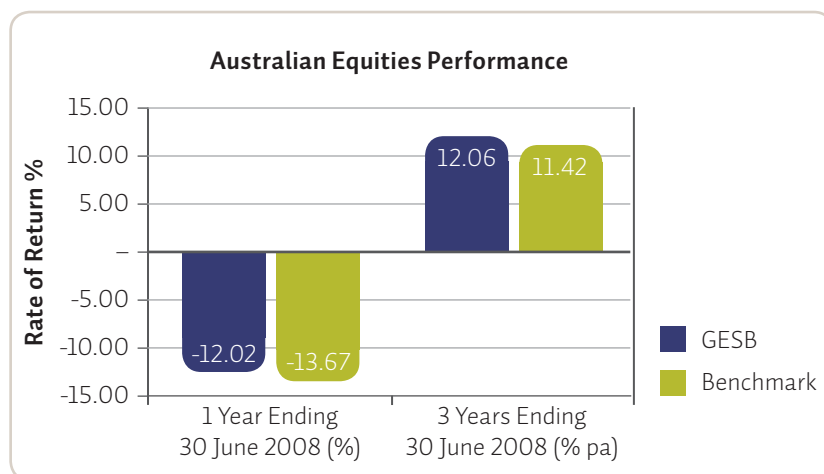
International equities, as measured by the MSCI World ex-Australia Index, fell 16% in local currency terms for the year to June 2008 as most developed equity markets succumbed to investor fears of an economic slowdown in the US, weak consumer spending due to record high oil prices, food inflation and continued falling house prices. Japan was the worst performer of developed markets, falling 25% for the year, while the US (down 18%), UK (down 13%) and Germany (down 14%) did not fare much better. Emerging markets were the stand out equity performers, generating a positive return of 4% for the 12 months ended June 2008. The composite return however conceals a divergence in returns between commodity and oil producers such as Brazil and Russia, who rose 20% and 21% respectively, while more speculative markets like China fell 28%.

GESB's managers had a strong year in relative terms, out-performing the asset class benchmark by 4.3%. At year end, \$2.41 billion or 27.6% of GESB's portfolio was invested in international equities.

Except for the transfer of the private equity program to the growth alternatives pool, GESB did not make any manager changes to the international equities portfolio. The portfolio currently comprises a core global manager, an enhanced global manager, two thematic managers and two emerging markets managers.

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

## AUSTRALIAN EQUITIES



Australian shares were no exception to the sell off in global equities falling 14% as measured by the S&P/ASX 300 Accumulation Index. Sector returns were mixed however, as energy (+51%) and materials (+16%) sectors rose on the back of record oil and commodity prices while the financials sector (-50%), and consumer discretionary sector (-35%) fell on concerns of slower economic growth and high interest rates.

In relative terms, GESB's Australian equity managers had a good year, out-performing the S&P/ASX 300 Accumulation Index by 1.7%. As at 30 June 2008, GESB's allocation to Australian equities was \$2.22 billion or 25.3% of the portfolio.

Except for the transfer of the private equity program to the growth alternatives pool, GESB did not make any changes to its Australian equity manager line-up. The portfolio currently comprises four broad market managers and two small capitalisation managers.

## PROPERTY

RELATIVE RETURNS ARE NOT AVAILABLE GIVEN THE SHORT TIME FRAME SINCE THE ASSET CLASS WAS CONSOLIDATED.

The listed property sector, both domestically and globally, has been at the forefront of the sell-off in growth assets. Global public real estate securities, which had been one of the best performing sectors through to mid 2007 delivering a 5-year return of 28% p.a., were sold-down aggressively as investors took profits and sought the relative safety of government bonds. International REITs (real estate investment trusts) fell 19% as measured by the UBS Global Investors ex-Australia Index. The magnitude of the decline in the Australian REIT sector was much more pronounced with the Australian LPT index declining by 38%. High levels of gearing by some Australian listed property companies made the sector more vulnerable to the global tightening in the credit market.

As noted earlier, the domestic and international property portfolios were consolidated into one pool, consisting of two international managers and three domestic managers. As at 30 June 2008, the portfolio was valued at \$677.5m or 7.7% of GESB's portfolio.

## GLOBAL BONDS

RELATIVE RETURNS ARE NOT AVAILABLE GIVEN THE SHORT TIME FRAME SINCE THE ASSET CLASS WAS CONSOLIDATED.

On a global basis, risk averse investors sought the relative safety of government bonds aggressively divesting all forms of growth assets, particularly equities and real estate. Global and domestic bonds rose strongly for the year to June 2008, returning 8% and 4% respectively. Slowing economic growth and falling residential property prices saw the US Federal Reserve aggressively cut official interest rates from 5.25% to 2.00%. US ten year government bond yields fell from 5% to 3.98% as market concerns regarding inflation were outweighed by the prospect of a recession. Domestically, with the economy shielded by the growth of China and record high commodity prices fuelling higher inflation, the Reserve Bank of Australia raised interest rates by 1% to 7.25% over the year.

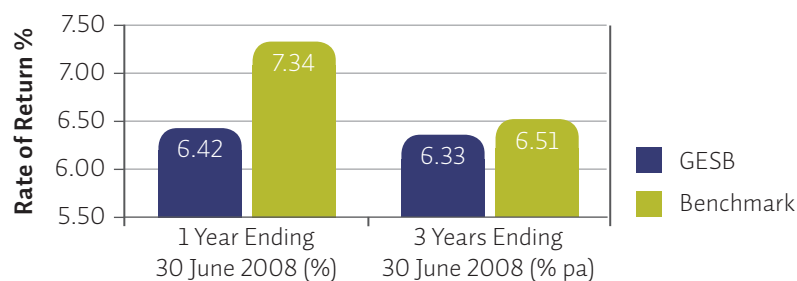
A return of 8% for the year was generated in the Australian inflation-linked bond market, outperforming cash and bonds. The Commonwealth Government 2015 year indexed bond closed the year yielding a real 2.79% versus 2.94% in June 2007.

As noted earlier, GESB's Australian fixed interest, international fixed interest and inflation-linked bond pools were consolidated into one pool called global bonds. The underlying configuration consists of two global, two domestic fixed and two domestic inflation-linked managers with a 55/45 split between global and domestic. As at 30 June 2008 the portfolio was valued at \$2.57 billion or 29.4% of GESB's portfolio.

Relative returns are not available given the short time frame since the asset class was consolidated.

## CASH

Cash Performance



The Reserve Bank of Australia increased interest rates over the year from 6.25% to 7.25% in an effort to combat the fastest inflation in Australia since 1991. This was in contrast to the US, Canada and the UK which reduced rates to cushion their economies against the fallout from the global credit squeeze. The UBS Australia Bank Bill Index returned 7.36%, outperforming both the Australian and global bond markets.

GESB's cash portfolio amounted to \$503.9 million or 5.7% of investment assets at year end. The performance of GESB's cash portfolio was satisfactory in a year that was noted for some significant negative return outcomes by enhanced cash managers. Macquarie's core cash strategy tracked the UBS Australia Bank Bill Index while the enhanced portfolio under-performed the Index by 165 bps, compared with the median peer under-performance of 350 bps.

## Member and employer services

### **CORPORATE OBJECTIVE**

TO PROVIDE MEMBERS AND EMPLOYERS WITH ACCESS TO MARKET COMPETITIVE PRODUCTS AND SERVICES.

### **PERFORMANCE HIGHLIGHTS**

During the 2007/08 financial year, GESB continued to focus on providing products and services that help to improve the long-term financial well-being of its members. Delivering competitive pricing and products, together with local member services and sound investment returns over the long-term, also improved our capacity to be able to compete as a public offer fund.

GESB provided members with general superannuation and retirement education and advice by telephone, in seminars, on-line, in publications and at the workplace. GESB Financial Advice provided personal advice services to members on a fee for service basis.

GESB worked with State Government employers to increase their understanding of superannuation issues and to assist them to meet their superannuation obligations through site visits, chief executive and senior management workshops, and manager and payroll officer briefings.

GESB also continued to work towards meeting members' needs and expectations by delivering improved products and services. New, flexible life insurance arrangements were developed for West State Super members, effective from 1 July 2008. Salary continuance insurance is now provided to West State Super members, including for those in hazardous occupations such as police and prison officers.

The Commonwealth Government's Better Super changes saw systems upgraded and marketing and communication materials revised.

The GESB website was upgraded to provide members with comprehensive, personalised information, interactive calculators, and improved online access to their account through Member Online.

Transition to retirement arrangements were introduced and allow Gold State Super members from age 55, and Pension Scheme members from their elected retirement age, to have 100% access to their benefit to purchase an allocated pension. All members can now access super and retirement products to enable transition to retirement. Western Australia was the first state in Australia to allow 100% access to unfunded public sector defined benefit schemes (Gold State Super and the Pension schemes) for transition to retirement.

GESB received independent acknowledgement of its competitive products. SuperRatings awarded GESB Super and GESB's Allocated Pension a platinum rating, placing it in the top 15% of funds in the country for value for money. GESB Super was also a finalist for SuperRatings 'Best New Product'. Chant West awarded their highest 5 Apple rating for GESB Super and GESB's Allocated Pension.



## Cost management and business improvement

### **CORPORATE OBJECTIVE**

*TO DRIVE COST EFFICIENCY AND PROCESS IMPROVEMENTS THROUGHOUT THE BUSINESS.*

### **PERFORMANCE HIGHLIGHTS**

During the year, work was undertaken towards improving information systems, data integrity and management reporting, including the identification of irregular transactions. These systems ensure that our processes produce accurate data and validate information reported externally to both members and regulatory bodies – an important part of GESB's overall risk mitigation strategy.

GESB updated its financial statement disclosures to reflect the impact of 'AASB 7 - Financial Instruments: Disclosures' for the year ended 30 June 2008 together with comparatives for the year ended 30 June 2007.

The transition of investment operations to the Finance Division was also completed during the year. The separation of investment strategy from investment operations and custody strengthens the segregation of duties and aligns with industry best practice.

A significant amount of financial management activity during the year focussed on preparing the GESB business to transition to a mutual structure. This included: configuring the financial accounting system and interfaces from core operating systems; designing new financial reporting; introducing a new activity based costing model; developing a new corporate forecasting model; developing a new investment management model, which includes a wholesale unit trust structure at an asset class level; implementing forward unit pricing; preparing the transfer and separation orders; and developing a new procurement and contract management framework.

## People management

### **CORPORATE OBJECTIVE**

*TO ALIGN OUR STRENGTHS AND COMPETENCIES TO DELIVER ON OUR STRATEGIC DIRECTION.*

### **PERFORMANCE HIGHLIGHTS**

GESB continues to attract high calibre individuals to join our team and grow our capability and has a track record on the employment of women in leadership roles. GESB also has a culturally diverse workforce. Figures as at the end of the financial year show that 20% of GESB workers have a culturally diverse background, 16% have a language background other than English and 36% were born outside Australia.

During 2007/08, the foundations were laid for a consistent, market-linked approach to remuneration for when GESB transitions out of the public sector. This will establish market parity with the finance sector and better link performance and reward.

## Corporate overview

### Enabling legislation

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

- Administer the SSA
- Manage the Government Employees Superannuation Fund (The GES Fund)
- Administer the GES 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 SSA or any other written law;
  - Employers; and
- Perform any other functions conferred under any other written law.

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

#### RESPONSIBLE MINISTER

The Minister responsible for GESB is the Hon Ljiljanna Ravlich MLC, Minister for Local Government; Racing and Gaming; Multicultural Interests and Citizenship; Government Enterprises; Minister Assisting the Minister for Planning and Infrastructure; Goldfields-Esperance; Youth.

### Changes to legislation and regulations

The *State Superannuation Amendment Act 2007* was assented in October 2007 and proclaimed in December 2007. This will support the introduction of choice of superannuation fund for public sector employees and transfer the staff and operations of GESB from a government enterprise regulated by the State to a member-owned mutual company regulated by the Australian Prudential Regulation Authority and the Australian Securities and Investments Commission. Non-public sector employees will be able to join a GESB fund. These changes will enable GESB to maintain its competitive fees while providing WA public servants with choice of fund.

The amendments to the Act have been defined into three phases:

#### PHASE 1: PREPARATION

Establishing the companies and the necessary licensing and preparatory work to enable the transition to member ownership. In this regard, the GESB Mutual group of companies was formed each with specific responsibility and Commonwealth licences. GESB Mutual Limited was formed on 30 January 2008; GESB Superannuation Pty Ltd was formed on 27 March 2008; and GESB Funds Management Pty Ltd was formed on 27 March 2008.

#### PHASE 2: MUTUALISATION OF GESB

The transition is scheduled to be completed in 2008/09.

#### PHASE 3: CHOICE OF FUND FOR PUBLIC SECTOR EMPLOYEES

Introduction of choice of superannuation fund for superannuation guarantee contributions for WA public sector employees. This is anticipated to occur in 2008/09.





Amendments to the *State Superannuation Regulations 2001* made during 2007/08 included:

- Transition to retirement changes allowing GESB members aged 55 and over and still working to access their retirement benefit to purchase a non-commutable allocated pension. West State Super, GESB Super and Gold State Super members can now access up to 100% of their benefit under these arrangements (*State Superannuation Amendment Regulations 2008*).
- Transition to retirement changes for members of the Pension Scheme (*State Superannuation Amendment Regulations 2008*).
- Family law, clean break provisions for all schemes, except the Pension Scheme (*State Superannuation Amendment Regulations (No 2) 2008*).
- Retirement Access was closed to new members on 11 April 2008. The Retirement Access scheme rules were aligned with those of GESB Super, and the scheme renamed as GESB Super (Retirement Access), (*State Superannuation Amendment Regulations (No 3) 2008*).
- Removal of West State Super, Retirement Income, Term Allocated Pension, Retirement Access and GESB Super from the regulations ready for mutualisation and consequential changes to the regulations to allow for mutualisation of GESB (*State Superannuation Amendment Regulations (No 4) 2008*).
- Housekeeping amendments – a series of amendments were made to ensure that GESB's schemes met relevant Commonwealth compliance requirements and to rectify unintended anomalies.

## Relationship with stakeholders

### CONSULTATIVE GROUPS

The Transfer Working Group chaired by the Department of Treasury and Finance met regularly during 2007/08. This group continued the significant work associated with the reform of GESB and choice of fund for public sector employees that was previously overseen by the Superannuation Consultative Group. The group considered the issues for mutualisation covering the allocation of the assets, rights, liabilities, obligations and contracts of GESB and the GES Fund between the State Superannuation Fund and GESB Mutual Ltd and its subsidiaries.

The Choice of Fund Education Project Steering Committee met monthly. It 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 superannuation fund.

### UNIONS

GESB maintains key working relationships with unions. Changes to GESB's legislation and regulations, transition to retirement, choice of superannuation fund for public sector employees, the transition to mutualisation and Commonwealth regulation were the subject of regular information sessions during the year.

### MINISTER AND GOVERNMENT

During the year GESB continued to work closely with the Minister, the Hon Ljiljanna Ravlich MLC, and the Treasurer, the Hon Eric Ripper MLA. GESB also received support from the Hon Kate Doust MLC, particularly in relation to the amendments to the SSA considered by the Parliament during this financial year. The Department of Treasury and Finance also provided significant support in their role as adviser to the Treasurer.

### 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 Liquefied Natural Gas Ltd, deputy chairman of United Way WA, deputy chairman of The Gravity Discovery Centre Foundation and a board member of the Western Australian Energy Research Alliance. He is a past president and current member of the Rotary Club of Perth.

Mr Harvey attended Perth Modern School, and completed degrees in engineering and in commerce at the University of WA. 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 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 expiring 7 February 2011. He is currently deputy chairman of the GESB Board. He has been a member of the Audit and Risk Committee of the GESB Board since 1996 and chaired this committee 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.

He retired in 2004 after a long career as a lecturer in 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 following the expiry of Ms Robertson's term. 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 and prior to that spent six years in its London office which provided a strong global understanding of investments.

Mr Alder is a consultant to Australia's largest listed investment company, Australian Foundation Investment Company Limited. He has also been active within Perth business groups including the Association of Superannuation Funds Australia (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 re-appointed 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, Deputy Chairman of Verve Energy, and a director of Brierty Limited.

He 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 CPA's 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 and has served as a Western Australian state chairman and a national council member of the Securities Institute of Australia (now the Financial Services Institute of Australasia).



**MICHELE DOLIN – EMPLOYER DIRECTOR**  
(BA, MA, MBA, FAICD, FAIM, SF FIN)

Ms Dolin was appointed chief executive officer of GESB in 2003. At this time she was also appointed as an employer director of the Board for a term of five years. This term expired on 7 July 2008. She was also a member of the Corporate Governance Committee. Ms Dolin's career has been 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 banking 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 Australia (ASFA), pro-chancellor of Curtin University of Technology and as 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 University of Maryland (USA). She is also a senior fellow of the Financial Services Institute of Australasia and a fellow of both the Australian Institute of Company Directors and the Australian Institute of Management.



**ROBERT LEWTAS – MEMBER DIRECTOR**  
(MAICD)

Mr Lewtas was appointed as a member director to the GESB Board for a term of three years expiring 14 August 2009 and 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.

He came from 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 this group.



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**CHERYL ROBERTSON – EMPLOYER DIRECTOR**  
(GAICD)

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Ms Robertson was appointed to the Board for a term of five years commencing on 4 March 2003 and expiring on 9 February 2008.

Ms Robertson was state manager of Sun Microsystems Australia, an international IT company. Prior to this she held the position of sales manager for Sun's Federal Government and Defence business in Canberra. She has held several executive positions with other national and international IT companies across a broad range of areas including sales, marketing, engineering, security and training.

With over 20 years experience in the IT industry, she manages her own IT and management consulting business as well as being a government strategist for the Australian Information Industry Association (AIIA). She also holds several advisory positions with the WA government and within the IT industry and is a fellow of the Australian Institute of Company Directors.



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**DEREK SPRAY – MEMBER DIRECTOR**  
(MAICD)

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Mr Spray was first elected as a member director of the GESB Board in 2003 for a term of three years. On 4 July 2006 he was re-elected as a member director for three years expiring on 3 July 2009 and 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 insurance and banking industries. 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 comprises seven directors. The Board approves, monitors and reviews the strategic direction of GESB and performs functions under the *State Superannuation Act 2000* (SSA). It is accountable to the Minister for Government Enterprises.

#### BOARD APPOINTMENTS AND ELECTIONS

Directors are appointed or elected under section 8 of the SSA as follows:

- 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 SSA.

#### CHANGES IN MEMBERSHIP OF THE BOARD OF DIRECTORS

- Cheryl Robertson's term expired on 9 February 2008.
- Richard Alder was appointed as an employer director for a term of five years commencing on 26 February 2008.

#### MEETINGS

The Board meets monthly. The number of meetings attended by each director during 2007/08 is indicated below:

DIRECTOR	NO. OF MEETINGS HELD WHILST A DIRECTOR	NO. OF MEETINGS ATTENDED
<b>Phil Harvey</b> Chairman	13	12
<b>Matt Farrell</b> Deputy Chairman	13	12
<b>Richard Alder</b> Employer Director	6	6
<b>Harvey Collins</b> Employer Director	13	11 (including 1 as Chairman)
<b>Michele Dolin</b> Employer Director	13	13
<b>Robert Lewtas</b> Member Director	13	12
<b>Cheryl Robertson</b> Employer Director	7	7
<b>Derek Spray</b> Member Director	13	12



#### **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 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 its Board directors. This policy requires that each director meets certain standards of fitness and propriety upon appointment and on an ongoing basis.

The Board's Director Education Policy 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. Up until 31 December 2007 the Chief Executive Officer's remuneration was set by the Salaries and Allowances Tribunal. From 1 January 2008 the remuneration was set by the Board.

#### **CORPORATE GOVERNANCE POLICY FRAMEWORK**

The Board uses 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; its 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.

A new suite of Board policies based on the ASX Principles of Good Corporate Governance was approved by the Board during the year, replacing the previous policies.



## RISK AND COMPLIANCE

This year has seen continuing improvement and refinement of GESB's risk management framework. Further, the period leading up to mutualisation and choice has seen significant development of both GESB's risk management framework and that of its new entities. Australian Standard 4360:2004 and the APRA Superannuation Guidance Note 120.1 continue to be the guide as a matter of best practice. GESB has a process in place to monitor and report on its 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.

From December 2007, GESB was required to comply with certain requirements of the Anti-Money Laundering and Counter Terrorism Financing (AML/CTF) Act. In particular GESB was required to develop an AML/CTF Program, in two parts, which looks at:

1. Part A - the risks it faces from a money laundering and terrorist financing perspective and how it proposes to mitigate them; and
2. Part B - implement both a know your customer policy centred around identification requirements for members and an ongoing customer due-diligence program designed at monitoring the way a customer transacts.

Risk management is 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. The Board formalised a set of Prudential Guidelines for Investments which are reviewed at least annually and are approved by the Treasurer.

In addition, a Risk Management Statement for Investments covering the use of derivatives, which is consistent with APRA Superannuation Circular I. D.7, is in place as a matter of best practice and is reviewed annually by the Board.

The 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 its 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 its 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 2007/2008 enhanced fraud prevention practices were integrated into GESB's compliance program.

## 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. A revised GESB Code of Conduct was published in October 2006 and staff are required to comply with the code.

GESB has a strong communication program promoting its organisational values, including information on its 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

Four Board committees 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 2007/08 and the number of meetings which they attended are indicated in the table below:

<b>DIRECTOR</b>	<b>NO. OF MEETINGS HELD WHILE A DIRECTOR</b>	<b>NO. OF MEETINGS ATTENDED</b>
Harvey Collins	6	6
Matt Farrell	6	6
Cheryl Robertson	5	5

Robert Lewtas was appointed to the Audit and Risk Committee at the Board meeting of 24 April 2008. No meetings were held after his appointment.

#### **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 members of the Corporate Governance Committee during 2007/08 and the number of meetings which they attended are indicated below:

<b>DIRECTOR</b>	<b>NO. OF MEETINGS HELD WHILE A DIRECTOR</b>	<b>NO. OF MEETINGS ATTENDED</b>
Phil Harvey	2	2
Michele Dolin	2	2
Robert Lewtas	2	1
Derek Spray	2	2



#### 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 2007/08 period are indicated below:

DIRECTOR	NO. OF MEETINGS HELD WHILE A DIRECTOR	NO. OF MEETINGS ATTENDED
Phil Harvey	1	1
Matt Farrell	1	1

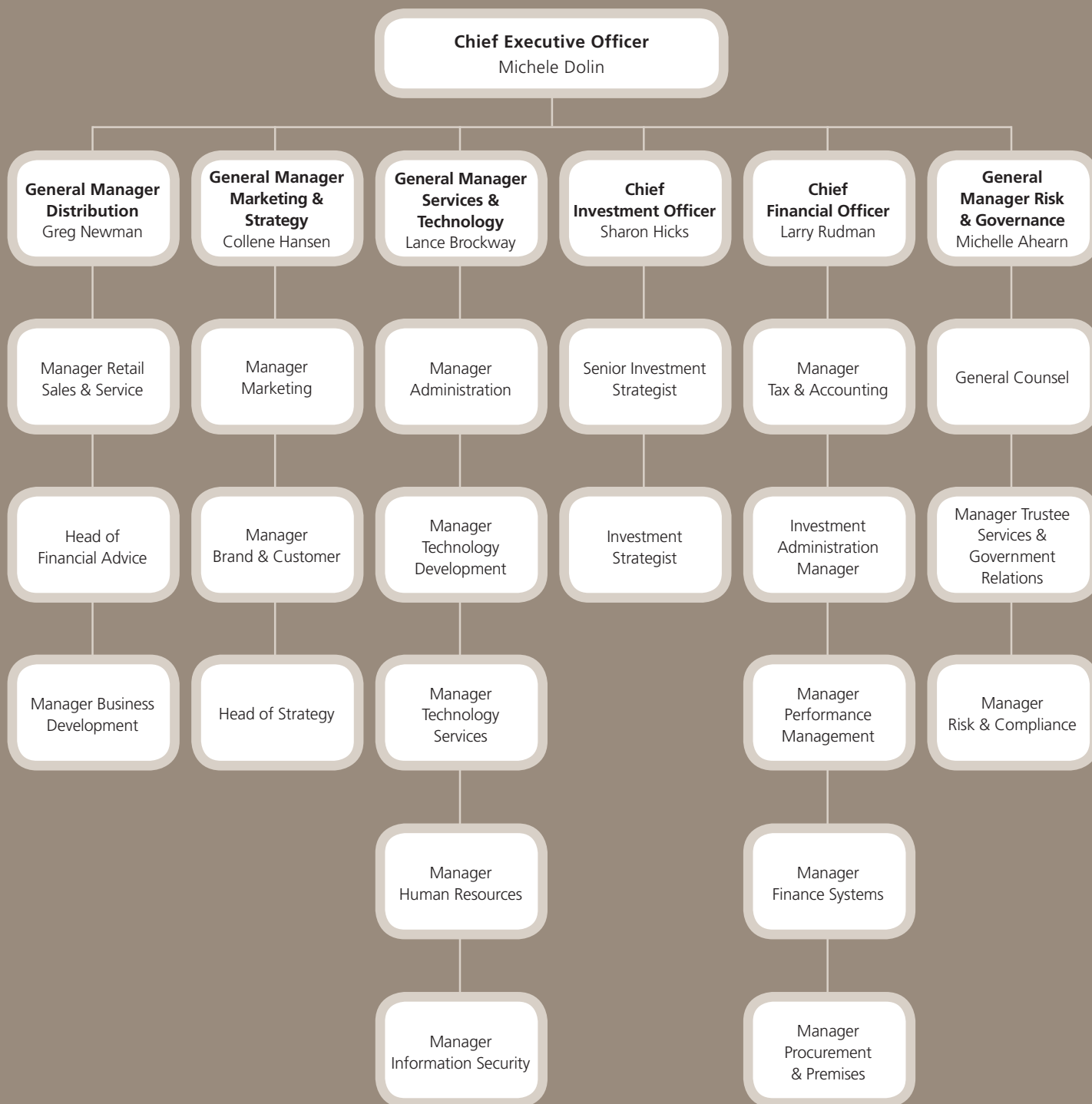
#### BOARD CHOICE COMMITTEE

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 committee provides a forum for receiving briefings and making decisions on policy issues as they arise.

The committee is comprised of all members of the Board. The numbers of meetings which they attended during 2007/08 are indicated below:

DIRECTOR	NO. OF MEETINGS HELD WHILE A DIRECTOR	NO. OF MEETINGS ATTENDED
Phil Harvey	7	7
Matt Farrell	7	7
Harvey Collins	7	4
Michele Dolin	7	6
Robert Lewtas	7	4
Cheryl Robertson	2	1
Derek Spray	7	7

## Organisational structure





## Compliance requirements

### HEADS OF GOVERNMENT AGREEMENT

The Western Australian Government is a signatory to a Heads of Government Agreement with the Commonwealth in respect to GESB's superannuation schemes. Under the agreement GESB's schemes are exempt from the *Superannuation Industry (Supervision) Act 1993* (SIS Act), the Commonwealth governing legislation for superannuation funds. The SIS 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 are fully protected and that GESB's schemes conform to the principles of the Commonwealth's retirement income policy. The major objective of the Federal Government's retirement income policy is to ensure an adequate income for all retired Australians.

### 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 STANDARD

GESB has complied with the Public Sector Standards in Human Resource Management and the Western Australian Public Sector Code of Ethics. GESB regularly assesses its current practices and processes against the Office of the Public Standards Commissioner Breach Claims Agency Guide. One compliance matter regarding the Public Sector Standards in Human Resource Management arose during the year. A claim was lodged by a job applicant in respect of the recruitment, appointment and selection standard. The matter is currently under review by an independent reviewer.

GESB continues to monitor and ensure compliance with the code of conduct through: actively monitoring email activity and preventing certain material from being received and/or sent using GESB's IT systems; making the code of conduct available to all employees from the home page of the GESB intranet; and ensuring that GESB's code of conduct and internal policies are provided to all new staff during induction.

### NUMBER OF FULL TIME EMPLOYEES AS AT 30 JUNE 2008

Permanent Public Service Officers	97
Fixed Term Public Service Officers	1
GESB Employees	141
Total	239

#### HEALTH AND SAFETY INDICATORS

Compensation payments	\$ 4,018
Occupational Health and Safety costs	\$ 38,871
Number of occurrences	0
Workers' compensation premium	\$64,307

The number of Occupational Health and Safety occurrences have reduced compared to last year. This was due to increased preventative measures being introduced such as promoting awareness and providing ergonomic assessments for all staff and contractors.

#### 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 81.1 in 2007/08.

#### DISABILITY SERVICES ACT 1993

GESB is committed to providing 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. Prospective employees can also use online communication channels to find out about jobs through the GESB website.

#### 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*).

During 2007/08 fraud risk assessments were conducted for each business unit. 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 2007/08.



**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	\$338,151
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**Market Research Organisations**

TNS	\$65,542
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Polling Organisations	Nil
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Direct Mail Organisations	Nil
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**Media Advertising Organisations**

Media Decisions	\$820,765
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Total	\$1,224,458
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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, environmental and social outcomes. The key actions from the 2007/08 Sustainability Action Plan are to:

- Provide members with a range of competitive products and investment options to optimise long-term wealth generation
- Deliver sound investment performance with a competitive fee structure
- Improve environmental performance by minimising waste and resource consumption and maximising recycling
- Encourage employees to embrace sustainability and diversity initiatives

GESB is required to report on its compliance to the Sustainability Code of Practice. Appendix 5 describes GESB's progress against the 2007/08 Sustainability Action Plan.



## 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 2008, and the financial position as at 30 June 2008.

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**  
28 August 2008



**K M FARRELL**  
**DEPUTY CHAIRMAN**  
28 August 2008



**P J HARVEY**  
**CHAIRMAN**  
28 August 2008

## Financial statements



Statement of changes in net assets  
for the year ended 30 June 2008

	NOTES	2008 \$'000	2007 \$'000
<b>INCOME</b>			
<b>INVESTMENT INCOME</b>			
Realised Income	3	365,928	306,759
Realised Changes in Net Market Value of Investment Assets	3	65,494	297,616
Unrealised Changes in Net Market Value of Investment Assets	3	(1,177,395)	578,485
<b>Total Investment Income</b>		<b>(745,973)</b>	1,182,860
<b>SUPERANNUATION INCOME</b>			
Contributions Income			
Member		568,513	598,814
Employer	5(a)	1,071,233	932,305
Inward Transfer from Other Funds		209,046	171,201
Other Income	5(c)	214	7
<b>Total Superannuation Income</b>		<b>1,849,006</b>	1,702,327
<b>Changes in Net Market Value of Financial Liabilities</b>		<b>9,487</b>	19,815
<b>Total Income</b>		<b>1,112,520</b>	2,905,002
<b>EXPENSES</b>			
Superannuation Benefit Payments	5(b)	1,022,420	677,774
Administration Expenses	10	42,258	31,253
Direct Investment Expenses	3	29,765	22,737
Changes in Net Market Value of Other Assets	32	2,839	2,872
Loan Interest	17	34,669	36,341
<b>Total Expenses</b>		<b>1,131,951</b>	770,977
<b>Change in Net Assets before Income Tax</b>		<b>(19,431)</b>	2,134,025
<b>Income Tax Expense</b>	11(a)	<b>(35,055)</b>	(24,835)
<b>Change in Net Assets after Income Tax</b>		<b>(54,486)</b>	2,109,190
<b>Net Assets available to pay Benefits at the beginning of the Financial Year</b>		<b>8,366,849</b>	6,257,659
<b>Net Assets available to pay Benefits at the end of the Financial Year</b>		<b>8,312,363</b>	8,366,849

To be read in conjunction with the accompanying notes.

## Statement of net assets as at 30 June 2008

	NOTES	2008 \$'000	2007 \$'000
<b>ASSETS</b>			
Cash and Cash Equivalents	2	54,030	19,777
Investments	3	9,056,218	9,440,522
Derivative Financial Assets	4(a)	86,318	101,899
Receivables	14(a)	344,384	262,867
Deferred Tax Asset	11(e)	3,395	2
Prepayments		434	192
Plant and Equipment	13	2,443	3,342
Intangible Assets	33	11,103	8,293
<b>Total Assets</b>		<b>9,558,325</b>	<b>9,836,894</b>
<b>LIABILITIES</b>			
Derivative Financial Liabilities	4(a)	65,900	39,516
Contributions Paid in Advance		707	673
Unpaid and Accrued Liabilities		2,378	1,152
Payables	14(b)	661,644	890,672
Provision for Employee Benefits	15	4,097	3,073
Provision for Post Employment Benefits	16	3,024	2,719
Interest Bearing Loans and Borrowings	17	489,253	522,246
Current Tax Liabilities	11(c)	18,959	9,143
Deferred Tax Liabilities	11(d)	-	851
<b>Total Liabilities</b>		<b>1,245,962</b>	<b>1,470,045</b>
<b>Net Assets available to pay Benefits</b>		<b>8,312,363</b>	<b>8,366,849</b>

To be read in conjunction with the accompanying notes.

## 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 format prescribed under paragraph 22(a) of AAS 25. This Standard sets out specific reporting requirements for particular reporting entities. This Standard applies to general purpose financial reports of each superannuation plan in the private or public sector that is a reporting entity.

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**

AAS 25 is the principal standard that applies to the financial statements, other Australian Accounting Standards are also 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 2008. These are outlined in the table below.

AASB AMENDMENT / STANDARD	TITLE	NATURE OF CHANGE TO ACCOUNTING POLICY	APPLICATION DATE FOR GESB
2007-3	Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038]	No change to accounting policy.	1 July 2009
2007-6	Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]	No change to accounting policy.	1 July 2009
2007-8	Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]	No change to accounting policy.	1 July 2009
2007-9	Amendments to Australian Accounting Standards arising from the Review of AASs 27, 29 and 31 [AASB 3, AASB 5, AASB 8, AASB 101, AASB 114, AASB 116, AASB 127 & AASB 137]	No change to accounting policy.	1 July 2008
2008-2	Amendments to Australian Accounting Standards - Puttable Financial Instruments and Obligations arising on Liquidation [AASB 7, AASB 101, AASB 132, AASB 139 & Interpretation 2]	No change to accounting policy.	1 July 2009
2008-3	Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 [AASBs 1, 2, 4, 5, 7, 101, 107, 112, 114, 116, 121, 128, 131, 132, 133, 134, 136, 137, 138 & 139 and Interpretations 9 & 107]	No change to accounting policy.	1 July 2009
AASB Int. 4 (Revised)	Determining whether an Arrangement contains a Lease.	No change to accounting policy.	1 July 2008
AASB Int. 14	AASB 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.	GESB has defined benefit schemes and as such this interpretation may have an impact on its financial statements. However, GESB has not yet determined the extent of the impact, if any.	1 July 2008
AASB 1004 (Revised)	Contributions.	No change to accounting policy.	1 July 2008
AASB Int. 1038 (Revised)	Contributions by Owners Made to Wholly-Owned Public Sector Entities.	No change to accounting policy.	1 July 2008

AASB AMENDMENT / STANDARD	TITLE	NATURE OF CHANGE TO ACCOUNTING POLICY	APPLICATION DATE FOR GESB
AASB 123 (Revised) and AASB 2007-6	Borrowing Costs and consequential amendments to other Australian Accounting Standards.	These amendments require that all borrowing costs associated with a qualifying asset be capitalised. GESB has no borrowing costs associated with qualifying assets and as such the amendments are not expected to have any impact on its financial statements.	1 July 2009
Amendments to International Financial Reporting Standards	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate.	Recognising all dividends received from subsidiaries as income will likely give rise to greater income being recognised by the parent entity after adoption of these amendments.	1 July 2009
Amendments to International Financial Reporting Standards	Improvements to IFRSs.	GESB has not yet determined the extent of the impact of the amendments, if any.	1 July 2009

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 2008 and the Statement of Net Assets as at 30 June 2008.

#### **(d) NEW ACCOUNTING STANDARDS**

Adoption of new accounting standard

GESB has adopted AASB 7 Financial Instruments: Disclosures and all consequential amendments which became applicable to annual reporting periods beginning on or after 1 January 2007. The adoption of this standard has only affected the disclosure in these financial statements. There has been no effect on the change in net assets or the net assets available to pay benefits.

#### **(e) INVESTMENTS AND DERIVATIVES**

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

After initial recognition, investments and derivatives of GESB 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:

- Shares in listed companies, government securities and other fixed interest securities, by reference to relevant market quotations at 30 June each year - at last sale price quoted by the 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.

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.

#### **(f) FIXTURES, FITTINGS AND EQUIPMENT**

Fixtures, fittings and equipment are carried at written down value and depreciated 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 fixture, fitting and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

##### *Impairment of assets*

Fixtures, fittings and equipment 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 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/amortisation 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.

#### **(g) 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 property, 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 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/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.

#### **(h) INCOME TAX EXPENSE**

The *Commonwealth Income Tax Assessment Act and Regulations* were amended on 30 June 1997 declaring GESB to be a constitutionally protected fund. The following schemes within the Fund are constitutionally protected and therefore exempt from income tax:

- Gold State Super
- West State Super
- Pension Scheme
- Provident Account

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

GESB Super (Retirement Access) commenced on 1 July 2002 and is a complying superannuation fund under the *Superannuation Industry (Supervision) Act 1993* and accordingly is entitled to concessional tax treatment at the rate of 15%.

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 entitled to concessional tax treatment at the rate of 15%.

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 entitled to concessional tax treatment at the rate of 15%.

GESB Super commenced on 16 April 2007 and is a complying superannuation fund under the *Superannuation Industry (Supervision) Act 1993* and accordingly is entitled to concessional tax treatment at the rate of 15%.

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.

### **(i) REVENUE RECOGNITION**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the GES 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.

### **(j) THE GOVERNMENT EMPLOYEES SUPERANNUATION (GES) FUND**

The GES Fund is a single superannuation fund comprising of eight superannuation schemes (GES schemes), namely:

*West State Super* – is a market linked accumulation type superannuation scheme. It has been closed to new employees since April 2007. 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.

*GESB Super (Retirement Access)* – enables retiring members to keep their funds in a concessional tax environment with GESB while retaining the ability to access their funds by drawing down lump sums as required. On 11 April 2008 the scheme rules were changed to align them to those of the GESB Super scheme. The scheme name was changed to GESB Super (Retirement Access).

*Retirement Income Allocated Pension* – is an allocated pension that enables retiring members to keep their funds with GESB in a concessionally 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.

*GESB Super* – is a market linked taxed accumulation type superannuation scheme established in April 2007 to represent a taxed accumulation scheme that complies with the provisions of the Commonwealth's *Superannuation Guarantee (Administration) Act 1992*. It is open to new employees of the State Government.

*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. This scheme is an untaxed scheme.

#### **(k) 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.

#### **(l) 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, GESB Super (Retirement Access), Retirement Income Allocated Pension, Retirement Income Term Allocated Pension and GESB Super* – full vesting from inception.

#### **(m) 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.



**(n) 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 advice to members of superannuation schemes managed by GESB. As at 30 June 2008, GWM has total assets of \$1,328,463 (2007 - \$825,678) and total liabilities of \$248,716 (2007 - \$138,511). For the year ended 30 June 2008, GWM reported a total net loss after income tax of \$807,421 (2007 - Six months - \$512,832).

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

**(o) 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 *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 and West State 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
- Past service cost.

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.

#### **(p) RECEIVABLES AND PAYABLES**

Receivables are recognised at the amount receivable less any allowance for impairment. The collectibility 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.

#### **(q) 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.

#### **(r) 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.

#### **(s) SUPERANNUATION CONTRIBUTIONS (SURCHARGE) TAX**

As a constitutionally protected fund, 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.

#### **(t) FINANCIAL INSTRUMENTS**

The investments of GESB (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 GES Fund and is in accordance with the GES 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.

#### **(u) 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).

**(v) 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.

**(w) 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.

**(x) 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 or cancelled or expires.

**(y) 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.

**(z) 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.

**(aa) COMPARATIVES**

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

**(bb) RESERVES**

Net assets available to pay benefits less the total accrued funded liabilities for each of the schemes determines the excess of net assets before reserves. The actuary recommends the long term reserves which GESB should maintain, which are funded from this excess. These reserves are set aside to ensure that adequate capital is available to support ongoing financial sustainability of the business consistent with its obligations and functions under the Act. This includes the protection to members and the sponsoring employer against adverse risk events as well as allowing the business to remain relevant to members. Examples of risks include the risks associated with fluctuations in the value of assets, operational risks that can arise in the operation of any business and the meeting of benefit guarantees.

## Note 2: Cash and cash equivalents

	2008 \$'000	2007 \$'000
Cash and cash equivalents	54,030	19,777

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

## Note 3: Investment income and assets

### INVESTMENT INCOME

	2007/2008				2006/2007			
	REALISED INCOME \$'000	CHANGES IN MARKET VALUE \$'000	UNREALISED CHANGES IN NET MARKET VALUE \$'000	TOTAL \$'000	REALISED INCOME \$'000	CHANGES IN MARKET VALUE \$'000	UNREALISED CHANGES IN NET MARKET VALUE \$'000	TOTAL \$'000
<b>INTERNALLY MANAGED PORTFOLIO</b>								
Cash	1,065	-	-	1,065	814	-	-	814
<b>Total Internally Managed</b>	<b>1,065</b>	<b>-</b>	<b>-</b>	<b>1,065</b>	<b>814</b>	<b>-</b>	<b>-</b>	<b>814</b>
<b>EXTERNALLY MANAGED PORTFOLIO</b>								
Fixed Interest	46,051	23,783	(24,272)	45,562	32,945	13,670	(12,825)	33,790
Inflation Linked Bonds	9,255	977	3,468	13,700	8,844	480	(2,884)	6,440
Shares - Australian Equities	95,850	(49,491)	(333,354)	(286,995)	80,507	107,710	340,314	528,531
Shares - International Equities	89,515	(27,104)	(437,115)	(374,704)	95,888	(9,557)	298,595	384,926
Cash	19,519	10,425	(879)	29,065	11,917	4,182	1,268	17,367
Listed Property	47,493	(25,776)	(283,543)	(261,826)	35,321	87,001	32,474	154,796
Global Bonds	53,144	136,979	(86,743)	103,380	39,782	94,365	(89,097)	45,050
SRI Investments	4,036	(4,299)	(14,957)	(15,220)	741	(235)	10,640	11,146
<b>Total Externally Managed</b>	<b>364,863</b>	<b>65,494</b>	<b>(1,177,395)</b>	<b>(747,038)</b>	<b>305,945</b>	<b>297,616</b>	<b>578,485</b>	<b>1,182,046</b>
<b>Total Investment Income</b>	<b>365,928</b>	<b>65,494</b>	<b>(1,177,395)</b>	<b>(745,973)</b>	<b>306,759</b>	<b>297,616</b>	<b>578,485</b>	<b>1,182,860</b>
<b>Less: Investment Expenses</b>								
External Fund Management Fees	24,093	-	-	24,093	18,016	-	-	18,016
Custodial Fees	2,595	-	-	2,595	2,280	-	-	2,280
General Administration Costs	1,082	-	-	1,082	624	-	-	624
Investment Administration Costs	1,995	-	-	1,995	1,817	-	-	1,817
<b>Total Investment Expenses</b>	<b>29,765</b>	<b>-</b>	<b>-</b>	<b>29,765</b>	<b>22,737</b>	<b>-</b>	<b>-</b>	<b>22,737</b>
<b>Net Investment Income</b>	<b>336,163</b>	<b>65,494</b>	<b>(1,177,395)</b>	<b>(775,738)</b>	<b>284,022</b>	<b>297,616</b>	<b>578,485</b>	<b>1,160,123</b>

## INVESTMENTS

	NOTES	30 JUNE 2008 NET MARKET VALUES \$'000	30 JUNE 2007 NET MARKET VALUES \$'000
<b>INTERNALLY MANAGED PORTFOLIO</b>			
Others (Investment in GESB Wealth Management Pty Ltd)		2,400	1,200
Sub-Total		2,400	1,200
<b>EXTERNALLY MANAGED PORTFOLIO</b>			
Fixed Interest	(a)	1,041,033	1,076,843
Inflation Linked Bonds		257,774	226,437
Shares - Australian Equities		2,248,064	2,405,532
Shares - International Equities		2,462,248	2,748,748
Listed Property		640,170	789,021
Cash	(b)	698,554	334,976
Global Bonds		1,619,067	1,763,642
SRI Investments		86,908	94,123
Sub-Total		9,053,818	9,439,322
<b>Total Investment Portfolio</b>		<b>9,056,218</b>	<b>9,440,522</b>

**(a) EXTERNALLY MANAGED PORTFOLIO**

The majority of the external investments are comprised of individual investment pools managed by Australian based fund managers, via the National Custodian Services. See Appendix 3 of the Annual Report for the list of fund managers.

**(b) CASH**

	30 JUNE 2008 \$'000	30 JUNE 2007 \$'000
Macquarie Investment Management Ltd	412,336	112,444
Macquarie Treasury Fund	286,217	222,531
SB Investment Trust	1	1
<b>Total Cash</b>	<b>698,554</b>	<b>334,976</b>

## Note 4: Financial risk management objectives and policies

The Fund's principal financial instruments, other than derivatives, comprise units in pooled trusts, equity securities, 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, but 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 interest rate risk, credit risk, market risk, foreign currency risk and liquidity risk. GESB reviews and establishes policies for managing each of these risks and they are summarised below.

The Investment Division, under the direction of the Board, 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 required by the Australian Prudential Regulation Authority.

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.

### **(a) 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 2008 the significant derivative positions held by GESB's fund managers were as follows:

	2008 \$'000	2007 \$'000
<b>DERIVATIVE ASSETS:</b>		
Swaps	19,170	32,172
Futures	3,329	815
Warrants	41	7,420
Options	2,166	4,023
Forward Foreign Exchange Contracts	61,612	57,469
<b>Total Derivative Assets</b>	<b>86,318</b>	101,899
<b>DERIVATIVE LIABILITIES:</b>		
Swaps	49,062	31,083
Futures	6,359	4,870
Warrants	-	-
Options	546	350
Forward Foreign Exchange Contracts	9,933	3,213
<b>Total Derivative Liabilities</b>	<b>65,900</b>	39,516
<b>Total Net Derivatives</b>	<b>20,418</b>	62,383

#### (b) 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.

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

- i) Interest rate swap contracts and forward rate agreements which are limited to favourable contracts to the extent of the next interest receipt due; and
- ii) The credit risk in relation to futures contracts is the amount of margin calls paid.

Exposure at balance date is addressed in each applicable note.

GESB 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(g).

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.

<b>2008</b>	<b>AAA TO AA- \$'000</b>	<b>A1+ TO A1 \$'000</b>	<b>A+ TO A- \$'000</b>	<b>BBB+ TO B- \$'000</b>	<b>OTHER * \$'000</b>	<b>TOTAL \$'000</b>
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
Zero Coupon Bonds	-	-	-	-	-	-
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
	<b>2,090,001</b>	<b>424,790</b>	<b>292,060</b>	<b>122,058</b>	<b>343,989</b>	<b>3,272,898</b>

<b>2007</b>	<b>AAA TO AA- \$'000</b>	<b>A1+ TO A1 \$'000</b>	<b>A+ TO A- \$'000</b>	<b>BBB+ TO B- \$'000</b>	<b>OTHER * \$'000</b>	<b>TOTAL \$'000</b>
Perpetual Securities	-	-	-	-	3,999	3,999
Fixed Interest Bonds	980,921	16,161	58,514	86,018	50,026	1,191,640
Indexed Annuities	26,653	-	1,955	1,955	7,167	37,730
Indexed Bonds	184,265	-	-	-	-	184,265
Floating Rate Notes	125,725	-	64,126	24,766	43,341	257,958
Zero Coupon Bonds	-	-	-	-	24,225	24,225
Mortgage Backed Securities	596,462	-	-	-	7,802	604,264
Asset Backed Securities	53,930	-	-	-	5,906	59,836
Loans	-	-	-	-	-	-
Discount Securities	6,461	693,234	-	-	27,970	727,665
Cash and Deposits	-	-	-	-	256,509	256,509
	<b>1,974,417</b>	<b>709,395</b>	<b>124,595</b>	<b>112,739</b>	<b>426,945</b>	<b>3,348,091</b>

\* Represents financial assets which does not have a credit rating because it is temporarily unavailable amounting to \$6,323,000 (2007 - \$46,752,000) and those which are not rated amounting to \$337,666,000 (2007 - \$380,193,000).

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.

**(c) MARKET RISK**

Market risk relates to the risk of loss due to a change in market and economic conditions (eg. interest rate change, share price fluctuations or exchange rate fluctuations). 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 is minimised through ensuring that all investment activities are undertaken in accordance with established mandate limits and investment strategies.

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

**(i) Interest rate risk**

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

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.

At balance date, the Fund had the following mix of financial assets and liabilities exposed to fixed or variable interest rate risk:

	<b>2008 \$'000</b>		<b>2007 \$'000</b>	
	<b>FIXED</b>	<b>VARIABLE</b>	<b>FIXED</b>	<b>VARIABLE</b>
<b>FINANCIAL ASSETS</b>				
Perpetual Securities	<b>3,418</b>	-	3,999	-
Fixed Interest Bonds	<b>1,392,791</b>	-	1,191,640	-
Indexed Annuities	-	<b>37,627</b>	-	37,730
Indexed Bonds	-	<b>195,399</b>	-	184,265
Floating Rate Notes	-	<b>331,181</b>	-	257,958
Zero Coupon Bonds	-	-	24,225	-
Mortgage Backed Securities	-	<b>490,411</b>	281,816	322,448
Asset Backed Securities	-	<b>54,135</b>	-	59,836
Loans	-	<b>2,428</b>	-	-
Discount Securities	<b>458,522</b>	-	727,665	-
Cash and Deposits	-	<b>306,986</b>	-	256,509
<b>Total Financial Assets</b>	<b>1,854,731</b>	<b>1,418,167</b>	2,229,345	1,118,746
<b>FINANCIAL LIABILITIES</b>				
Interest Bearing Loans and Borrowings	<b>489,253</b>	-	522,246	-
Cash and Deposits	<b>1,826</b>	-	-	1,729
<b>Total Financial Liabilities</b>	<b>491,079</b>	-	522,246	1,729

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

At 30 June 2008, 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	
	2008 \$'000	2007 \$'000
BASIS POINTS		
+/- 50 (2008) and +/- 25 (2007)	(76,996) / 77,057	(13,072) / 12,401

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.

*(ii) Foreign currency risk*

Currency risk is the risk of fluctuation in the 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, 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 or equity securities denominated in the currency or one highly correlated with the currency sold forward.

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

GESB's exposure as at 30 June 2008 to foreign exchange rate movements on its international investments is as follows:

	US DOLLAR A\$'000	EURO A\$'000	JAPANESE YEN A\$'000	BRITISH POUND A\$'000	OTHER A\$'000	TOTAL A\$'000
<b>30 JUNE 2008</b>						
Gross investment amounts denominated in foreign currency	1,893,723	853,243	241,513	364,470	724,858	4,077,807

**COMPARATIVES**

	US DOLLAR A\$'000	EURO A\$'000	JAPANESE YEN A\$'000	BRITISH POUND A\$'000	OTHER A\$'000	TOTAL A\$'000
<b>30 JUNE 2007</b>						
Gross investment amounts denominated in foreign currency	2,043,012	954,002	254,623	418,733	666,745	4,337,115

The table below indicates the currencies to which the Fund had significant exposure at 30 June 2008. 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	
	2008 %	2007 %	2008 \$'000	2007 \$'000
USD/AUD	+/- 10	+/- 5	(21,518) / 26,300	(15,268) / 16,874
EUR/AUD	+/- 5	+/- 5	(6,003) / 6,635	(9,859) / 10,897
Japanese Yen/AUD	+/- 5	+/- 10	(4,470) / 4,940	(11,434) / 13,975
British Pound/AUD	+/- 5	+/- 5	(4,605) / 5,089	(6,330) / 6,997
Other/AUD	+/- 5	+/- 5	(13,812) / 15,266	(16,253) / 17,964

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.

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

#### (iii) Equity risk

Equity 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 share price or factors affecting all equity instruments in the market. Equity price risk exposure arises from the Fund's investment portfolio.

To limit equity 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 indices, with all other variables held constant is indicated in the table below.

CHANGE IN EQUITY PRICE		AFTER TAX CHANGE IN NET ASSETS AND NET ASSETS AVAILABLE TO PAY BENEFITS	
2008 %	2007 %	2008 \$'000	2007 \$'000
+/- 10	+/- 5	555,860 / (555,860)	301,947 / (301,947)

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.

#### (d) 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.

The Fund 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 and other payables 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 2008.

	<b>2008 \$'000</b>	<b>2007 \$'000</b>
1 year or less	<b>58,176</b>	58,176
1 - 2 years	<b>58,176</b>	58,176
2 - 3 years	<b>58,176</b>	58,176
3 - 4 years	<b>58,176</b>	58,176
4 - 5 years	<b>58,176</b>	58,176
Over 5 years	<b>465,410</b>	523,586
	<b>756,290</b>	814,466

#### **Net market value**

The methods for estimating net market value are outlined in the relevant notes to the financial statements.

#### **(e) 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.

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.

#### **(f) 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.

#### **(g) SCRIP 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 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 2008 is \$705.2 million (2007: \$825.5 million).



## Note 5: Employer contributions, benefit payment and other income

	2008 \$'000	2007 \$'000
<b>5a: EMPLOYER CONTRIBUTIONS</b>		
<b>Pension Scheme</b>		
Employer's Share of Pensions	224,283	221,082
<b>Gold State Super</b>		
Employer Contributions	41,164	39,624
Recoup of Past Service Liabilities	23,930	26,919
Recoup of Consolidated Fund Portion of Lump Sum Benefits	259,413	171,049
	324,507	237,592
<b>West State Super</b>		
Employer Contributions	427,882	414,672
Recoup of Treasury Unfunded Liabilities	58,176	58,176
	486,058	472,848
<b>GESB Super</b>		
Employer Contributions	36,385	783
<b>Total Employer Contributions</b>	<b>1,071,233</b>	<b>932,305</b>
<b>5b: SUPERANNUATION BENEFIT PAYMENTS</b>		
<b>Pension Scheme</b>		
Pensions	232,124	229,227
Commutation Lump Sums	2,041	963
Refunds of Contributions & Interest	543	841
	234,708	231,031
<b>Gold State Super</b>		
Retirement	113,126	91,144
Disability	25,502	20,169
Retrenchment/Death	12,853	18,951
Family Law	-	20
Financial Hardship	22,490	14,194
Compassionate	-	435
Phased Retirement	57,078	5,743
	231,049	150,656
<b>West State Super</b>		
Retirement	127,558	132,769
Disability	10,822	6,221
Retrenchment/Death	12,359	9,193
Family Law	1,754	-
Financial Hardship	1,213	750
Compassionate	730	182
Phased Retirement	61,907	14,276
	216,343	163,391
<b>GESB Super</b>		
Retirement	50,026	1,086
Retrenchment/Death	86	-
Financial Hardship	1	-
Insurance Premiums Paid to Insurer	3,709	68
	53,822	1,154
<b>GESB Super (Retirement Access)</b>	<b>214,140</b>	<b>109,677</b>
<b>Retirement Income</b>	<b>72,317</b>	<b>21,808</b>
	<b>286,457</b>	<b>131,485</b>
<b>Interest paid on Surcharge Liability</b>	<b>41</b>	<b>57</b>
<b>Total Superannuation Benefits Payments</b>	<b>1,022,420</b>	<b>677,774</b>
<b>5c: OTHER INCOME</b>		
<b>Insurance administration fee</b>	<b>184</b>	<b>3</b>
<b>Other</b>	<b>30</b>	<b>4</b>
<b>Total Other Income</b>	<b>214</b>	<b>7</b>

## 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	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Gross Accrued Benefits	4,724,852	4,649,462	2,422,045	2,569,767

	WEST STATE SUPER		GESB SUPER		GESB SUPER (RETIREMENT ACCESS)		RETIREMENT INCOME		TERM ALLOCATED PENSION		TOTAL	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Gross Accrued Benefits	5,356,856	5,304,215	449,218	22,095	-	403,670	465,641	237,924	23,972	11,368	13,442,584	13,198,501

Note: On 11 April 2008 the scheme rules for Retirement Access were changed to align them to those of the GESB Super scheme. The scheme name was changed to GESB Super (Retirement Access). The assets of GESB Super (Retirement Access) are held in GESB Super.

**LIABILITY FOR ACCRUED BENEFITS RELATED TO FUNDED LIABILITIES**

The liability for accrued benefits of the Fund, related to funded liabilities as at 30 June 2008, was calculated by GESB's actuary, Mercer, 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	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Accrued Liability Related to Funded Liabilities	1,875,000	1,798,000	91,800	90,812

	WEST STATE SUPER		GESB SUPER		GESB SUPER (RETIREMENT ACCESS)		RETIREMENT INCOME		TERM ALLOCATED PENSION		TOTAL	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Accrued Liability Related to Funded Liabilities	4,867,603	4,781,969	449,218	22,095	-	403,670	465,641	237,924	23,972	11,368	7,773,234	7,345,838

Note: On 11 April 2008 the scheme rules for Retirement Access were changed to align them to those of the GESB Super scheme. The scheme name was changed to GESB Super (Retirement Access). The assets of GESB Super (Retirement Access) are held in GESB Super.

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 (ie. the Government) which have arisen in respect of membership of the Fund up to 30 June 2008 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 ACCESS)		RETIREMENT INCOME		TERM ALLOCATED PENSION		TOTAL
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	
Unfunded Liabilities in respect of Completed Membership	2,849,852	2,851,462	2,330,245	2,478,955	489,253	522,246	-	-	-	-	-	-	5,669,350
													5,852,663

Note: On 11 April 2008 the scheme rules for Retirement Access were changed to align them to those of the GESB Super scheme. The scheme name was changed to GESB Super (Retirement Access). The assets of GESB Super (Retirement Access) are held in GESB Super.

The unfunded liability in respect of West State Super stands at \$489m as at 30 June 2008. 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 6.50%.
- The future rate of salary inflation would be 4.50%.

## RESERVES

Movement in reserves

	2008 \$'000	2007 \$'000
Balance at 1 July	1,021,011	734,421
Amount credited to reserves	(481,882)	286,590
Balance at 30 June	539,129	1,021,011

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 2008. 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	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Gross Vested Benefits	5,065,000	4,939,214	2,422,045	2,569,767

	WEST STATE SUPER		GESB SUPER		GESB SUPER (RETIREMENT ACCESS)		RETIREMENT INCOME		TERM ALLOCATED PENSION		TOTAL	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Gross Vested Benefits	5,363,306	5,307,485	449,218	22,095	-	403,670	465,641	237,924	23,972	11,368	13,789,182	13,491,523

Note: On 11 April 2008 the scheme rules for Retirement Access were changed to align them to those of the GESB Super scheme. The scheme name was changed to GESB Super (Retirement Access). The assets of GESB Super (Retirement Access) are held in GESB Super.

The liability for vested benefits of the Fund related to funded liabilities as at 30 June 2008 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	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Vested Benefits Related to Funded Liabilities	2,146,000	2,054,989	91,800	90,812

	WEST STATE SUPER		GESB SUPER		GESB SUPER (RETIREMENT ACCESS)		RETIREMENT INCOME		TERM ALLOCATED PENSION		TOTAL	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Vested Benefits Related to Funded Liabilities	4,874,053	4,785,238	449,218	22,095	-	403,670	465,641	237,924	23,972	11,368	8,050,684	7,606,096

Note: On 11 April 2008 the scheme rules for Retirement Access were changed to align them to those of the GESB Super scheme. The scheme name was changed to GESB Super (Retirement Access). The assets of GESB Super (Retirement Access) are held in GESB Super.

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, GESB Super (Retirement Access), 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) GOLD STATE SUPER

Those employers listed in Division 2 of Schedule 1 of the *State Superannuation Regulations 2002* 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 2002*, 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 2007/08 for contributory members was 12% (2006/07: 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 2007/08 was assessed at 70.59% (2006/07: 70.59%) of the contributory service benefit and is payable at the time payment is made to the member.

In respect of those members who transferred their membership from the Pension Scheme, the employer liability in relation to service or period of employment constituted as service for the purposes of the *Superannuation and Family Benefits Act 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.

### (b) WEST STATE SUPER

West State Super was established with effect from 1 July 1992 to comply with the provisions of the *Superannuation Guarantee (Administration) Act 1992* (Commonwealth). The employer contribution rate payable is determined under Commonwealth legislation. Since 1 July 2002 the rate has been 9%. This scheme has been closed to new employees since April 2007.

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.



**(c) GESB SUPER**

GESB Super was established with effect from 16 April 2007, representing a taxed accumulation scheme in compliance with provisions of the *Superannuation Guarantee (Administration) Act 1992* (Commonwealth). The employer contribution rate payable is determined under Commonwealth legislation and is at 9%. This scheme is open to new employees of the State Government.

**(d) PENSION SCHEME**

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

## Note 10: Administration expenses

Details of administration expenses incurred by GESB during the year ended 30 June 2008 are set out below:

	NOTE	2007/08 ACTUAL \$	2007/08 BUDGET \$	VARIANCE ACTUAL TO BUDGET \$	VARIANCE ACTUAL TO BUDGET %	2006/07 ACTUAL \$	VARIANCE ACTUAL TO ACTUAL \$	VARIANCE ACTUAL TO ACTUAL %
Employment Expenses	(i)	22,468,144	22,355,515	112,629	1%	16,167,675	6,300,469	39%
Professional Fees (actuarial, legal, medical, audit and consultancy fees)	(ii)	7,581,370	5,138,480	2,442,890	48%	4,890,326	2,691,044	55%
Information Technology Costs	(iii)	5,630,250	6,433,632	(803,382)	(12%)	5,585,583	44,667	1%
Accommodation Costs	(iv)	2,723,323	2,100,000	623,323	30%	2,098,060	625,263	30%
Other Administration Costs	(v)	6,052,833	7,779,686	(1,726,853)	(22%)	4,568,554	1,484,279	32%
		44,455,920	43,807,313	648,607		33,310,198	11,145,722	
<b>Less:</b>								
Investment Administration Costs	(vi)	(1,995,166)	(2,957,233)	962,067	(33%)	(1,817,369)	(177,797)	10%
Recoup of Costs Incurred in the Administration of the Parliamentary Superannuation Scheme and Judicial Pension Scheme	(vii)	(204,261)	(298,206)	93,945	(32%)	(249,469)	45,208	(18%)
Loss on Disposal of Assets	(viii)	1,615	-	1,615		10,429	(8,814)	(85%)
<b>Total Administration Costs Excluding Changes in Net Market Value of Other Assets</b>		<b>42,258,108</b>	<b>40,551,874</b>	<b>1,706,234</b>		<b>31,253,789</b>	<b>11,004,319</b>	
Changes in Net Market Value of Other Assets	(ix)	2,839,093	4,192,284	(1,353,191)	(32%)	2,871,757	(32,664)	(1%)
<b>Total Schemes Administration Costs</b>		<b>45,097,201</b>	<b>44,744,158</b>	<b>353,043</b>		<b>34,125,546</b>	<b>10,971,655</b>	

## **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.

### **(i) Employment expenses**

2007/08 Actual to Previous Year's Actual (Increased cost \$6,300,469)

- The increase in expenditure from the previous year is due partly to adjustments for increases to the provision for employee benefits and the provision for post employment benefits and partly to higher recruitment activity.

### **(ii) Professional fees**

a) 2007/08 Actual to Budget (Increased cost \$2,442,890)

- The increase in expenditure is due mainly to higher professional fees in actuarial, audit and consultancy expenditure. Actuarial and audit expenditure in prior years has been accounted for in the year following the actual activity. In the current year, these costs have been accrued in the year to which it relates. Hence, the current year's actuarial and audit expenditure represents expenditure incurred for the financial year 2006/2007 and for 2007/2008. Consultancy expenditure is higher due to an increase in the use of consultants. However, this is offset in part by savings in other administration costs, information technology costs and employment expenses. In addition, there was a reclassification of capitalised expenditure to consulting costs.

b) 2007/08 Actual to Previous Year's Actual (Increased cost \$2,691,044)

- The increase in expenditure from the previous year is due partly to the recognition of two years actuarial and audit expenditure in the current year and partly to higher consulting activities in the current year associated with the preparation for mutualisation.

### **(iii) Information technology costs**

2007/08 Actual to Budget (Decreased cost \$803,382)

- The decrease in expenditure is due mainly to lower outsourced service provider costs. This is offset in part by higher consulting costs.

### **(iv) Accommodation costs**

a) 2007/08 Actual to Budget (Increased cost \$623,323)

- The increase in expenditure over budget is due to the reclassification of capitalised expenditure relating to the office refit project.

b) 2007/08 Actual to Previous Year's Actual (Increased cost \$625,263)

- The increase in expenditure to last year's actual is due mainly to the reclassification of capitalised expenditure relating to the office refit project.

### **(v) Other administration costs**

a) 2007/08 Actual to Budget (Decreased cost \$1,726,853)

- The decrease in expenditure is due mainly to expenditure being deferred as a result of a delay in the mutualisation of GESB. The main types of expenditure affected are insurance premiums, Board expenses, advertising and printing costs. These items of expenditure are budgeted to occur in 2008/09.

b) 2007/08 Actual to Previous Year's Actual (Increased cost \$1,484,279)

- The increased in expenditure from the previous year is due mainly to printing and distribution of information materials to members and Regulator costs in preparation for mutualisation.

**(vi) Investment administration costs**

2007/08 Actual to Budget (Decreased cost \$962,067)

- The decrease in expenditure against budget is due partly to actual legal fees being lower than budget and a lower allocation of administration and support costs.

**(vii) Recoup of costs incurred in the administration of the Parliamentary Superannuation Scheme and Judicial Superannuation Scheme**

a) 2007/08 Actual to Budget (Decreased cost \$93,945)

- The decrease in costs against budget is due to a review of the underlying assumptions which support this cost calculation.

b) 2007/08 Actual to Previous Year's Actual (Decreased cost \$45,208)

- The decrease in recoupment of cost against last year is due to a review of the underlying assumptions which support the cost calculation.

**(viii) Loss on disposal of assets**

2007/08 Actual to Previous Year's Actual (Decreased cost \$8,814)

- The loss on disposal of assets in the current year relates to disposal costs incurred in relation to the office refit. The loss on disposal incurred in the previous year relates to the outsourcing of GESB's ICT assets to a third party service provider.

**(ix) Changes in net market value of other assets**

2007/08 Actual to Budget (Decreased cost \$1,353,191)

- The decrease in expenditure is due mainly to the timing of a number of projects being delayed consistent with the revised date for mutualisation. The expenditure associated with these projects has been budgeted to occur in 2008/09.

## Note 11: Income tax

	2008 \$'000	2007 \$'000
<b>(a) MAJOR COMPONENTS OF INCOME TAX EXPENSE</b>		
Current income tax expense	39,170	24,984
Adjustment to current income tax for prior periods	129	142
Deferred income tax expense relating to the originating and reversal of temporary differences	(4,244)	(291)
Income Tax expense reported in Statement of Changes in Net Assets	35,055	24,835
<b>(b) EXPLANATION OF THE RELATIONSHIP BETWEEN INCOME TAX EXPENSE AND ACCOUNTING SURPLUS</b>		
Changes in net assets before tax	(19,430)	2,134,025
Changes in net assets related to constitutionally protected schemes	(139,831)	(1,477,729)
Changes in net assets related to WATC loan	(32,993)	(41,650)
Changes in net assets related to Reserves	491,092	(286,590)
Total change in net assets related to Retirement Products	298,838	328,056
Income Tax applicable at the rate of 15%	44,826	49,208
Tax effect of expenses that are not deductible in determining taxable income		
- Benefits paid	105,448	19,896
- Non deductible expenses	390	217
Tax effect of income that is not assessable in determining taxable income		
- Income from Managed Portfolio	13,692	(1,523)
- Member contributions	(5,812)	(21,082)
- Transfers In	(116,990)	(16,847)
- Imputation credits	(2,713)	(1,651)
- Exempt pension income	(4,774)	(3,525)
Tax effect of other adjustments		
- Error on contribution accrual in current year		
- Under-provision for prior year	146	142
- Over-provision for prior year	(17)	-
- No TFN contributions tax	859	-
Income Tax expense reported in Statement of changes in net assets	35,055	24,835
<b>(c) CURRENT TAX LIABILITIES</b>		
<u>Income tax payable</u>		
Balance at beginning of year	9,143	2,723
Income tax paid – current period	(20,211)	(15,843)
Income tax paid – prior periods	(9,272)	(2,863)
Current years income tax provision	38,311	24,984
Under provision for prior period	129	142
No TFN contributions tax	859	-
	18,959	9,143
<b>(d) DEFERRED INCOME TAX LIABILITIES</b>		
The amount of the deferred tax liabilities recognised in the Statement of Net Assets at reporting date:		
- Accrued income	-	156
- Unrealised capital gains	-	695
	-	851
<b>(e) DEFERRED TAX ASSETS</b>		
Future income tax benefit comprises the estimated benefit at the applicable rate of 15% on the following items:		
- Unrealised capital losses	3,320	2
- Realised capital losses	75	-
	3,395	2

## 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 the defined benefit schemes based on the actuarially determined accrued liabilities. The balance is then allocated to reserves.

### (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 (ie. Schemes) as follows:

	2008 \$'000	2007 \$'000
Gold State Super	1,875,000	1,798,000
West State Super	5,356,856	5,304,215
Pension Scheme	91,800	90,812
GESB Super (Retirement Access)	-	403,670
Retirement Income	465,641	237,924
Term Allocated Pension	23,972	11,368
GESB Super	449,218	22,095
WATC Loan	(489,253)	(522,246)
Reserves	539,129	1,021,011
	<b>8,312,363</b>	<b>8,366,849</b>

Note: On 11 April 2008 the scheme rules for Retirement Access were changed to align them to those of the GESB Super scheme. The scheme name was changed to GESB Super (Retirement Access). The assets of GESB Super (Retirement Access) are held in GESB Super.

## Note 13: Plant and equipment

Fixed assets comprise 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:

	2008		2007	
	\$'000	\$'000	\$'000	\$'000
<b>PLANT AND EQUIPMENT</b>				
Computer hardware	96		96	
Less: Provision for Depreciation	82	14	73	23
Office furniture, equipment and renovations – work in progress		-		3,000
Office furniture, equipment and renovations	2,770		522	
Less: Provision for Depreciation	341	2,429	203	319
		<b>2,443</b>		<b>3,342</b>

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:

### 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

### 2007

	COMPUTER HARDWARE	OFFICE FURNITURE, EQUIPMENT & RENOVATIONS	OFFICE FURNITURE, EQUIPMENT & RENOVATIONS - WIP	TOTAL
	\$'000	\$'000	\$'000	\$'000
Carrying amount at start of year	33	533	-	566
Additions	-	33	3,000	3,033
Disposals	-	(8)	-	(8)
Transfers	-	-	-	-
Depreciation expense	(10)	(239)	-	(249)
Carrying amount at end of year	23	319	3,000	3,342

## Note 14: Receivables and payables

### (a) RECEIVABLES

Represented by:

	2008		2007	
	\$'000	\$'000	\$'000	\$'000
<b>INVESTMENTS</b>				
Receivables	328,335		243,521	
Scrip lending fee/Interest	92		81	
Accrued Interest	254		176	
		328,681		243,778
<b>PENSION SCHEME</b>				
Recoup State's Share of Pensions	3,092		1,213	
		3,092		1,213
<b>GOLD STATE SUPER</b>				
Employer Contributions	9,960		14,369	
Contribution Arrears	1,585		1,958	
		11,545		16,327
<b>Other Debtors</b>		1,066		1,639
Provision for impairment of receivables		-		(90)
		344,384		262,867

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

	2008	2007
	\$'000	\$'000
At 1 July	90	90
Provision for impairment recognised during the year	-	-
Receivables written-off during the year as uncollectible	(89)	-
Provision reversed during the year	(1)	-
At 30 June	-	90

### Receivables past due but not impaired

As at 30 June 2008, receivables of \$3,915,988 (2007 - \$4,116,157) were past due but not impaired.

The ageing analysis of these receivables are as follows:

	2008	2007
	\$'000	\$'000
0 - 30 days	1,194	1,327
31 - 60 days	411	117
61 - 90 days	49	46
91+ days	2,262	2,626
	3,916	4,116



### Receivables considered impaired

As at 30 June 2008, receivables of \$6,431 (2007 - \$99,264) were considered impaired. The ageing analysis of these receivables are as follows:

	2008 \$'000	2007 \$'000
0 - 30 days	-	-
31 - 60 days	-	-
61 - 90 days	-	-
91+ days	6	99
	<b>6</b>	<b>99</b>

The other classes within receivables 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 3.

### (b) PAYABLES

Represented by:

	2008 \$'000	2007 \$'000
<b>INVESTMENTS</b>		
Payables	<b>641,580</b>	862,858
Management Fees	<b>7,103</b>	7,395
<b>GESB SUPER</b>		
Benefits Due and Payable	<b>330</b>	-
<b>GOLD STATE SUPER</b>		
Benefits Due and Payable	<b>4,000</b>	5,902
<b>WEST STATE SUPER</b>		
Benefits Due and Payable	<b>3,042</b>	3,934
<b>RETIREMENT INCOME</b>	-	28
<b>Payables and Accruals</b>	<b>5,589</b>	10,555
	<b>661,644</b>	<b>890,672</b>

### 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 the Actuary, Mercer, in accordance with the provisions of the revised Accounting Standard AASB 119.

The value of leave benefits has been estimated at:

	2008 \$'000	2007 \$'000
<b>CURRENT LIABILITY</b>		
Long Service Leave(a)	1,708	1,136
Annual Leave	1,900	1,249
Deferred Salary Scheme	23	56
	<b>3,631</b>	<b>2,441</b>
<b>NON - CURRENT LIABILITY</b>		
Long Service Leave(a)	466	632
Deferred Salary Scheme	-	-
	<b>466</b>	<b>632</b>
<b>Total Employee Benefits</b>	<b>4,097</b>	<b>3,073</b>
<b>Number of Employees (Head Count)</b>	<b>267</b>	<b>212</b>

(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:

	2008 \$'000	2007 \$'000
Within 12 months of reporting date	1,708	1,136
More than 12 months after reporting date	466	632
	<b>2,174</b>	<b>1,768</b>

(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 2008 (\$'000)	30 JUNE 2007 (\$'000)
Present value of defined benefit obligations at beginning of the year	1,661	2,246
(+) Current service cost	-	38
(+) Interest cost	96	126
(+) Actuarial (gains)/losses	435	(614)
(-) Benefits paid	130	135
Present value of defined benefit obligations at end of the year	2,062	1,661

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 2008 (\$'000)	30 JUNE 2007 (\$'000)
Fair value of Scheme assets at beginning of the year	-	-
(+) Employer contributions	130	135
(-) Benefits paid	130	135
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 2008 (\$'000)	30 JUNE 2007 (\$'000)
Defined Benefit Obligation	2,062	1,661
Deficit/(surplus)	2,062	1,661
Liability/(asset)	2,062	1,661

#### Expense Recognised in Statement of Changes in Net Assets

FINANCIAL YEAR ENDING (PENSION SCHEME)	30 JUNE 2008 (\$'000)	30 JUNE 2007 (\$'000)
Current Service Cost	-	38
Interest cost	96	126
Actuarial loss/(gain)	435	(614)
Superannuation expense/(income)	531	(450)

### 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 2008	30 JUNE 2007	30 JUNE 2006
Discount rate (active members)	6.64%	6.06%	5.81%
Discount rate (pensioners)	6.64%	6.06%	5.81%
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 2008 (\$'000)	30 JUNE 2007 (\$'000)
Present value of defined benefit obligation	2,062	1,661
(Surplus)/deficit in Scheme	2,062	1,661
Experience adjustments (gain)/loss - Scheme liabilities	599	(635)

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 2009 (\$'000)
Expected employer contributions	137

## **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**

<b>FINANCIAL YEAR ENDING (GOLD STATE SUPER)</b>	<b>30 JUNE 2008 (\$'000)</b>	<b>30 JUNE 2007 (\$'000)</b>
<b>Present value of defined benefit obligations at beginning of the year</b>	<b>1,057</b>	845
(+) Interest cost	<b>63</b>	48
(+) Actuarial (gains)/losses	<b>25</b>	164
(-) Benefits paid	<b>183</b>	-
<b>Present value of defined benefit obligations at end of the year</b>	<b>962</b>	1,057

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**

<b>FINANCIAL YEAR ENDING (GOLD STATE SUPER)</b>	<b>30 JUNE 2008 (\$'000)</b>	<b>30 JUNE 2007 (\$'000)</b>
<b>Fair value of Scheme assets at beginning of the year</b>	-	-
(+) Employer contributions	<b>183</b>	-
(-) Benefits paid	<b>183</b>	-
<b>Fair value of Scheme assets at end of the year</b>	-	-

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

<b>AS AT (GOLD STATE SUPER)</b>	<b>30 JUNE 2008 (\$'000)</b>	<b>30 JUNE 2007 (\$'000)</b>
Defined Benefit Obligation	<b>962</b>	1,057
Deficit/(surplus)	<b>962</b>	1,057
<b>Liability/(asset)</b>	<b>962</b>	1,057

### **Expense Recognised in Statement of Changes in Net Assets**

<b>FINANCIAL YEAR ENDING (GOLD STATE SUPER)</b>	<b>30 JUNE 2008 (\$'000)</b>	<b>30 JUNE 2007 (\$'000)</b>
Interest cost	<b>63</b>	48
Actuarial loss/(gain)	<b>25</b>	164
<b>Superannuation expense/(income)</b>	<b>88</b>	212

### 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

<b>(GOLD STATE SUPER)</b>	<b>30 JUNE 2008</b>	<b>30 JUNE 2007</b>	<b>30 JUNE 2006</b>
Discount rate (active members)	<b>6.64%</b>	6.06%	5.81%
Discount rate (pensioners)	<b>6.64%</b>	6.06%	5.81%
Expected salary increase rate	<b>4.50%</b>	4.50%	4.50%
Expected pension increase rate	<b>2.50%</b>	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

<b>FINANCIAL YEAR ENDING (GOLD STATE SUPER)</b>	<b>30 JUNE 2008 (\$'000)</b>	<b>30 JUNE 2007 (\$'000)</b>
Present value of defined benefit obligation	<b>962</b>	1,057
(Surplus)/deficit in Scheme	<b>962</b>	1,057
Experience adjustments (gain)/loss - Scheme liabilities	<b>72</b>	223

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

<b>FINANCIAL YEAR ENDING (GOLD STATE SUPER)</b>	<b>30 JUNE 2009 (\$'000)</b>
Expected employer contributions	<b>35</b>

## Note 17: Interest bearing loans and borrowings

The Term Loan from 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 2008 is \$34,669,380 (2006/07: \$36,341,329).

The market valuation of the loan is based on interest rates applicable on 30 June 2008. As at 30 June 2008, the market value of the loan is at \$489,252,896 (2006/07 market value of the loan of \$522,246,263), with a discount of \$17,952,012 from the face value of \$507,204,908 (2006/07 discount of \$8,582,228). This discount of \$17,952,012 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 2008.

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 3.

### 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:

\$	2008	2007
10,001 - 20,000	2	-
20,001 - 30,000	2	3
40,001 - 50,000	1	1
70,001 - 80,000	1	1
Total number of members of the Board is:	6	5
Total remuneration of members of the Board is:	\$203,880	\$194,033

The Board is comprised of seven Board Directors. During 2007/08, remuneration in accordance with Section 8(2) of the *State Superannuation Act 2000*, was paid to five Board Directors. During 2007/08, one director resigned on 9 February 2008 and a new director was appointed on 11 February 2008.

The remaining two Directors of the Board namely, M. Dolin and D. Spray, did not receive any director's fees or other director related benefits because government policy prohibits such payments to persons who are in public sector employment.

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:

\$	2008	2007
10,000 - 20,000	1	-
90,001-100,000	1	-
140,001-150,000	-	1
180,001-190,000	-	2
190,001-200,000	-	3
200,001-210,000	-	1
220,000-230,000	1	-
230,001-240,000	1	-
240,001-250,000	2	-
250,001-260,000	1	-
340,001-350,000	-	1
430,001-440,000	1	-
Total number of Senior Officers is:	8	8
The total remuneration of Senior Officers is:	\$1,761,553	\$1,641,534

“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 2007/08, GESB renewed its Directors and Officers Liability insurance policy with Riskcover. The premium paid in respect of this insurance was \$99,470 (excluding goods and services tax).

**Note 19: Remuneration of auditor**

	2008 \$	2007 \$
Fee for auditing the accounts, financial statements and performance indicators	382,000	270,000

**Note 20: Related party transactions**

During the financial period, GESB received from its related party, total management fees amounting to \$1,903,017 (2007 - \$643,525) in relation to the performance of services as agreed between the parties. The amount receivable as at 30 June 2008 is \$189,505 (2007 - \$124,685). The amount arises from arm's length transactions and is non-interest bearing.

**Note 21: Write-offs**

The write-offs made during the current financial year are as follow: \$96,530 (2007 - \$2,514).

## Note 22: Commitments and contingencies

### Other expenditure commitments

	2008 \$'000	2007 \$'000
Other expenditure commitments, being contracted expenditure additional to the amounts reported in the financial statements, are payable as follows:		
Within 1 year	4,467	4,742
Later than 1 year and not later than 5 years	-	2,015
Later than 5 years	-	-
	<b>4,467</b>	<b>6,757</b>

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

### Operating lease commitments

	2008 \$'000	2007 \$'000
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities are payable:		
Within 1 year	1,317	1,252
Later than 1 year and not later than 5 years	4,310	5,568
Later than 5 years	-	-
	<b>5,627</b>	<b>6,820</b>
Representing:		
Cancellable operating leases	72	46
Non-cancellable operating leases	5,555	6,774
	<b>5,627</b>	<b>6,820</b>

### Non-cancellable operating lease commitments

	2008 \$'000	2007 \$'000
Commitments for minimum lease payments are payable as follows:		
Within 1 year	1,280	1,219
Later than 1 year and not later than 5 years	4,275	5,555
Later than 5 years	-	-
	<b>5,555</b>	<b>6,774</b>

The cancellable operating lease consists of 2 year renewable vehicle leases. These leasing arrangements do not have escalation clauses, other than in the event of payment default. 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 five-year term, with an option to renew the lease at the end of the term for an additional term of five years.

#### *Uncertain tax position relating to draft legislation*

The Australian government is considering reintroducing legislation relating to stages three and four of the Taxation of Financial Arrangements (TOFA). If amending legislation is introduced, it is expected that the way in which financial instruments are taxed will change including the timing of when gains and losses are recognised. No liability has been recognised in respect of this.

There were no contingent liabilities as at 30 June 2007.

## Note 23: Explanatory statement

In accordance with Treasurer's Instruction 945, this statement compares 2007/08 Income and Expenditure as shown within the Statement of Changes in Net Assets with:

- (a) The 2007/08 Budget figures published in the 2006/07 Annual Report
- (b) The 2006/07 Income and Expenditure figures

	NOTE	2007/08 ACTUAL \$'000	2007/08 BUDGET \$'000	VARIANCE ACTUAL TO BUDGET \$'000	VARIANCE ACTUAL TO BUDGET %	2006/07 ACTUAL \$'000	VARIANCE ACTUAL TO ACTUAL \$'000	VARIANCE ACTUAL TO ACTUAL %
<b>INCOME</b>								
<b>Investment Income</b>								
Investment Income	(i)	(745,973)	651,956	(1,397,929)	(214%)	1,182,860	(1,928,833)	(163%)
Less: Investment Expenses	(ii)	(29,765)	(33,732)	3,967	(12%)	(22,737)	(7,028)	31%
<b>Net Investment Income</b>		<b>(775,738)</b>	<b>618,224</b>	<b>(1,393,962)</b>		<b>1,160,123</b>	<b>(1,935,861)</b>	
<b>Superannuation Income</b>								
Contributions Income								
Member	(iii)	399,568	330,723	68,845	21%	506,258	(106,690)	(21%)
Employer	(iv)	1,071,233	1,140,681	(69,448)	(6%)	932,305	138,928	15%
Rollover into Retirement Products	(v)	559,434	385,733	173,701	45%	370,025	189,409	51%
Inward Transfer from Other Funds	(vi)	583,975	378,885	205,090	54%	183,764	400,211	218%
Other Income	(vii)	214	-	214	-	7	207	2957%
<b>Total Superannuation Income</b>		<b>2,614,424</b>	<b>2,236,022</b>	<b>378,402</b>		<b>1,992,359</b>	<b>622,065</b>	
<b>Changes in Net Market Value of Financial Liabilities</b>	(viii)	<b>9,487</b>	<b>-</b>	<b>9,487</b>	<b>-</b>	<b>19,815</b>	<b>(10,328)</b>	<b>(52%)</b>
<b>Total Income</b>		<b>1,848,173</b>	<b>2,854,246</b>	<b>(1,006,073)</b>		<b>3,172,297</b>	<b>(1,324,127)</b>	
<b>Expenses</b>								
Superannuation Benefits	(ix)	1,787,838	1,361,182	426,656	31%	967,805	820,033	85%
Administration Expenses	(x)	42,256	40,552	1,704	4%	31,243	11,013	35%
Loss on Disposal of Assets	(xi)	2	-	2	-	10	(8)	(80%)
Changes in Net Market Value of Other Assets	(xii)	2,839	4,192	(1,353)	(32%)	2,872	(33)	(1%)
Loan Interest		34,669	34,681	(12)	-	36,341	(1,672)	(5%)
<b>Total Expenses</b>		<b>1,867,604</b>	<b>1,440,607</b>	<b>426,997</b>		<b>1,038,271</b>	<b>829,333</b>	
<b>Operating Result before Tax for the Year</b>		<b>(19,431)</b>	<b>1,413,639</b>	<b>(1,433,070)</b>		<b>2,134,026</b>	<b>(2,153,457)</b>	

## **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 2007/08 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 2007/08 and 2006/07 actuals.

### **(i) Investment income**

Income from investments was \$1,397.9m (214%) lower than budget and \$1,928.8m (163%) lower than last year. This was due to significant unrealised capital losses in investment assets for the last six months of the financial year as a result of high volatility within investment markets. Details of investment income are included in Note 3.

### **(ii) Investment expenses**

Investment expenses were \$3.9m (12%) lower than budget. This was due to a positive correlation between investment expenses and funds under management growth in the current year. Investment expenses were \$7.0m (31%) higher than last year due to higher management costs incurred in line with a larger investment asset portfolio compared to last year and the impact of an accrual reversal in the 2006/07 year relating to the 2005/06 year.

### **(iii) Member contributions**

Total member contributions were \$68.8m (21%) higher than budget. This increase continues to be driven by GESB's ongoing promotion of voluntary contributions. Total member contributions were \$106.7m (21%) lower than last year due to a record level of contributions in 2006/07 resulting from the Commonwealth Government's Simpler Super initiative, which allowed a one-off opportunity to contribute up to \$1.0m of non-concessional contributions prior to 30 June 2007.

### **(iv) Employer contributions**

Total employer contributions were \$138.9m (15%) higher than last year due mainly to higher contributions into Gold State Super (\$86.9m) and GESB Super (\$35.6m). Gold State Super contributions were higher due to higher benefits paid which increased recoups of unfunded liabilities from Department of Treasury and Finance. An amount of \$11.3m can be attributed to forward funding for transition to retirement benefits and a once-off payment of \$15.4m was received from an agency to fund their unfunded superannuation liability relating to Gold State Super transferred service. GESB Super had a full year of contributions in 2007/08 compared with only a quarter's worth of contributions in 2006/07.

### **(v) Rollover into retirement products**

Total rollovers into retirement products were \$173.7m (45%) higher than budget and \$189.4m (51%) higher than last year. A total of \$152.6m was transferred into GESB Super (Retirement Access), \$230.9m into Retirement Income Allocated Pension and \$6.9m into Retirement Income Term Allocated Pension from West State Super and Gold State Super. Higher rollover into Retirement Income Allocated Pension resulted from increased number of retirements from the public sector. Term Allocated Pension was closed to new members in September 2007. On 11 April 2008, as a result of aligning the scheme rules of Retirement Access to the GESB Super scheme, the assets of GESB Super (Retirement Access) were transferred and held in GESB Super.

### **(vi) Inward transfer from other funds**

Inward transfer from other funds was \$205.1m (54%) higher than budget and \$400.2m (218%) higher than last year. The significant increase largely resulted from the alignment of scheme rules for Retirement Asset to the GESB Super scheme which resulted in the assets (\$366.4m) of GESB Super (Retirement Access) being transferred and held in the GESB Super scheme. Actual transfers from other financial institutions were \$200.4m which was a 13% increase on last financial year.

### **(vii) Other income**

Other income represents mainly insurance administration fee revenue received from members of GESB Super.

**(viii) Changes in Net Market Value of Financial Liabilities**

As per Note 17.

**(ix) Superannuation benefits**

Superannuation benefits were \$426.7m (31%) higher than budget and \$820.0m (85%) higher than last year due mainly to the deferral of retirement decisions as a result of the Commonwealth Government's Simplifier Super changes and the introduction of phased retirement. This figure also includes the assets (\$366.4m) of GESB Super (Retirement Access) which were transferred and held in the GESB Super scheme.

**(x) Administration expenses**

As per Note 10.

**(xi) Loss on disposal of assets**

As per Note 10 (viii).

**(xii) Changes in net market value of other assets**

As per Note 10 (ix).

## Note 24: Segment information

**PRIMARY REPORTING - BUSINESS SEGMENTS**

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

**West State Super** – is a market linked accumulation type 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.

**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.

**GESB Super (Retirement Access)** – enables retiring members to keep their funds in a concessional taxed environment with GESB while retaining the ability to access their funds by drawing down lump sums as required. On 11 April 2008 the scheme rules were changed to align them to those of the GESB Super scheme. The scheme name was changed to GESB Super (Retirement Access).

**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.

**GESB Super** – is a market linked taxed accumulation type superannuation scheme established in April 2007 to represent a taxed accumulation scheme that comply with the provisions of the Commonwealth's *Superannuation Guarantee (Administration) Act 1992*. It is open to new employees of the State Government.

**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 segment reporting purposes the Provident Account is included with the Pension Scheme. This scheme is an untaxed scheme.

## STATEMENT OF CHANGES IN NET ASSETS

	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 \$'000	SCHEME ELIMINATIONS \$'000	TOTAL \$'000
<b>2008</b>											
<b>NET ASSETS AVAILABLE TO PAY BENEFITS AT THE BEGINNING OF THE YEAR</b>	90,812	1,798,000	5,304,215	22,095	403,670	237,924	11,368	(522,246)	1,021,011	-	8,366,849
<b>INCOME</b>											
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 Income 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
<b>Total Income /Segment Income</b>	<b>237,593</b>	<b>526,869</b>	<b>473,998</b>	<b>489,380</b>	<b>191,597</b>	<b>314,403</b>	<b>15,464</b>	<b>67,662</b>	<b>(468,794)</b>	<b>(765,417)</b>	<b>1,082,755</b>
<b>EXPENSES</b>											
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
<b>Total Expenses /Segment Expenses</b>	<b>236,605</b>	<b>449,869</b>	<b>421,357</b>	<b>54,412</b>	<b>582,686</b>	<b>72,381</b>	<b>2,536</b>	<b>34,669</b>	<b>13,088</b>	<b>(765,417)</b>	<b>1,102,186</b>
<b>Operating Result for the Year/ Segment Result before Taxation</b>	<b>988</b>	<b>77,000</b>	<b>52,641</b>	<b>434,968</b>	<b>(391,089)</b>	<b>242,022</b>	<b>12,928</b>	<b>32,993</b>	<b>(481,882)</b>	<b>-</b>	<b>(19,431)</b>
<b>Taxation</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,845</b>	<b>12,581</b>	<b>14,305</b>	<b>324</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>35,055</b>
<b>Operating Result for the Year/ Segment Result after Taxation</b>	<b>988</b>	<b>77,000</b>	<b>52,641</b>	<b>427,123</b>	<b>(403,670)</b>	<b>227,717</b>	<b>12,604</b>	<b>32,993</b>	<b>(481,882)</b>	<b>-</b>	<b>(54,486)</b>
<b>Net Assets available to pay Benefits at the End of the Year</b>	<b>91,800</b>	<b>1,875,000</b>	<b>5,356,856</b>	<b>449,218</b>	<b>-</b>	<b>465,641</b>	<b>23,972</b>	<b>(489,253)</b>	<b>539,129</b>	<b>-</b>	<b>8,312,363</b>

Note: On 11 April 2008 the scheme rules for Retirement Access were changed to align them to those of the GESB Super scheme. The scheme name was changed to GESB Super (Retirement Access). The assets of GESB Super (Retirement Access) are held in GESB Super.

## STATEMENT OF CHANGES IN NET ASSETS

	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 \$'000	SCHEME ELIMINATIONS \$'000	TOTAL \$'000
<b>2007</b>											
<b>NET ASSETS AVAILABLE TO PAY BENEFITS AT THE BEGINNING OF THE YEAR</b>	95,487	1,704,681	3,915,130	-	220,232	146,823	4,781	(563,896)	734,421	-	6,257,659
<b>INCOME</b>											
Investment Income (net of Investment Expenses)	4,560	122,427	669,283	(89)	42,142	25,837	1,102	-	294,861	-	1,160,123
Superannuation Income Contributions											
Member	2,235	67,880	426,104	10,038	272,915	90,923	6,188	-	-	(277,469)	598,814
Employer	221,082	237,592	414,672	783	-	-	-	58,176	-	-	932,305
Inward Transfer from Other Funds	-	-	169,422	14,342	-	-	-	-	-	(12,563)	171,201
Lag Gain / (Loss)	-	-	10	-	(26)	1	-	-	15	-	-
Benefit Adjustment	-	-	3,361	-	186	123	-	-	(3,670)	-	-
Other Income	-	-	-	-	-	-	-	-	7	-	7
Changes in Net Market Value of Financial Liabilities	-	-	-	-	-	-	-	19,815	-	-	19,815
<b>Total Income /Segment Income</b>	<b>227,877</b>	<b>427,899</b>	<b>1,682,852</b>	<b>25,074</b>	<b>315,217</b>	<b>116,884</b>	<b>7,290</b>	<b>77,991</b>	<b>291,213</b>	<b>(290,032)</b>	<b>2,882,265</b>
<b>EXPENSES</b>											
Superannuation benefits	231,031	325,349	277,447	1,154	109,677	21,288	520	-	1,340	(290,032)	677,774
Administration Expenses, Loss on Disposal of Assets and Changes in Net Market Value of Other Assets	1,521	9,231	16,320	1	2,323	1,387	59	-	3,283	-	34,125
Loan Interest	-	-	-	-	-	-	-	36,341	-	-	36,341
<b>Total Expenses /Segment Expenses</b>	<b>232,552</b>	<b>334,580</b>	<b>293,767</b>	<b>1,155</b>	<b>112,000</b>	<b>22,675</b>	<b>579</b>	<b>36,341</b>	<b>4,623</b>	<b>(290,032)</b>	<b>748,240</b>
<b>Operating Result for the Year/ Segment Result before Taxation</b>	<b>(4,675)</b>	<b>93,319</b>	<b>1,389,085</b>	<b>23,919</b>	<b>203,217</b>	<b>94,209</b>	<b>6,711</b>	<b>41,650</b>	<b>286,590</b>	<b>-</b>	<b>2,134,025</b>
<b>Taxation</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,824</b>	<b>19,779</b>	<b>3,108</b>	<b>124</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>24,835</b>
<b>Operating Result for the Year/ Segment Result after Taxation</b>	<b>(4,675)</b>	<b>93,319</b>	<b>1,389,085</b>	<b>22,095</b>	<b>183,438</b>	<b>91,101</b>	<b>6,587</b>	<b>41,650</b>	<b>286,590</b>	<b>-</b>	<b>2,109,190</b>
<b>Net Assets available to pay Benefits at the End of the Year</b>	<b>90,812</b>	<b>1,798,000</b>	<b>5,304,215</b>	<b>22,095</b>	<b>403,670</b>	<b>237,924</b>	<b>11,368</b>	<b>(522,246)</b>	<b>1,021,011</b>	<b>-</b>	<b>8,366,849</b>



## Secondary Reporting - Geographical Segments

The Fund operates in a single geographical segment, namely Australia. Details of the Fund's investment exposure to overseas markets are set out in Note 4(b).

### 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 2008.

#### (2) NAME AND QUALIFICATION OF ACTUARY

The valuation of funded liabilities was undertaken by GESB's actuary, Mercer. 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 2008 is as follows:

NET ASSETS (EXCLUDING WATC LOAN)	2008 \$M
Gold State Super	1,875
Pension Scheme	92
West State Super	5,357
GESB Super	449
Retirement Products	490
Surplus of net assets before reserves	539
<b>Total Net Assets</b>	<b>8,802</b>

ACTUARIAL LIABILITIES (INCLUSIVE OF RESERVES)	2008 \$M
Gold State Super	2,151
Pension Scheme	126
West State Super	5,443
GESB Super	449
Retirement Products	490
Fund Reserves	143
<b>Total Actuarial Liabilities</b>	<b>8,802</b>
<b>Surplus Assets</b>	<b>-</b>

In the opinion of the Actuary, the GES Fund is in a sound financial position at 30 June 2008.

#### **(4) FINANCIAL CONDITION OF EACH SCHEME AS AT 30 JUNE 2008**

GESB's actuary reported that in respect of funded liabilities:

##### **(a) Pension Scheme**

The Actuary reported that the scheme is in a sound financial position as at 30 June 2008 and has sufficient assets to meet both the expected payments in respect of the accrued actuarial liabilities and the level of recommended reserves for the Pension scheme. The Actuary recommended the following reserves to be maintained for the Pension scheme:

Investment Fluctuation Reserve	\$9.2 million
Expenses Reserve	\$24.9 million

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

##### **(b) Gold State Super**

The Actuary reported that the scheme is in a sound financial position as at 30 June 2008 and has sufficient assets to meet both the expected payments in respect of the accrued actuarial liabilities and the level of recommended reserves for Gold State Super. The Actuary recommended the following reserves to be maintained for Gold State Super:

Investment Fluctuation Reserve	\$187.4 million
Expenses Reserve	\$87.6 million

The Actuary recommended retention of the existing Employer funding levels and the percentage recouped from the State in respect of benefits paid to members.

##### **(c) West State Super**

The Actuary reported that the scheme is in a sound financial position as at 30 June 2008 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	\$13.1 million
General Reserve	\$72.3 million
Insurance Reserve	\$1.0 million

##### **(d) GESB Super**

The Actuary reported that the GESB Super Scheme is in a satisfactory financial position as at 30 June 2008 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 2008.

#### **(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	\$68.0 million
Government Services Reserve	\$40.0 million
Strategic Development Reserve	\$35.0 million

## Note 26: Event subsequent to balance date

GESB Mutual Limited, GESB Superannuation Proprietary Limited and GESB Funds Management Proprietary Limited were established prior to 30 June 2008 in preparation for the mutualisation of GESB. After year end, \$11m was transferred from GESB to these entities in order to comply with regulatory requirements and consistent with the approval from the Treasurer.

## 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

	2008 \$'000	2007 \$'000
Lease rentals	2,723	2,098

### Note 30: Employee benefits expense

	2008 \$'000	2007 \$'000
Salaries	10,705	8,459
Superannuation – defined contribution plans	927	917
Superannuation – defined benefit plans	938	102
Long service leave <sup>(a)</sup>	2,173	1,768
Annual leave <sup>(a)</sup>	1,901	1,249
Other related expenses	5,824	3,673
	<b>22,468</b>	<b>16,168</b>

(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

	2008 \$'000	2007 \$'000
Consultants	4,540	3,217
Information technology services	5,243	5,393
Accommodation	2,723	2,098
Printing	1,538	781
Records management	1,168	888
GST irrecoverable	767	705
Other expenses <sup>(a)</sup>	4,754	3,811
	<b>20,733</b>	<b>16,893</b>

(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.

### Note 32: Changes in net market value of other assets

	2008 \$'000	2007 \$'000
<b>DEPRECIATION</b>		
Computer hardware	10	10
Office furniture, equipment and renovations	145	239
Total depreciation	155	249
<b>AMORTISATION</b>		
Intangible assets	2,684	2,623
Total amortisation	2,684	2,623
Total depreciation and amortisation	<b>2,839</b>	<b>2,872</b>

## 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:

	2008		2007	
	\$'000	\$'000	\$'000	\$'000
<b>Intangible assets</b>				
Computer software costs	46,718		45,035	
Less: Provision for Amortisation	40,769	5,949	38,085	6,950
Computer software development projects - Works in Progress Costs	5,154	5,154	1,343	1,343
		<b>11,103</b>		<b>8,293</b>

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:

### 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)
<b>Carrying amount at end of year</b>	<b>5,949</b>	<b>5,154</b>	<b>11,103</b>

### 2007

	COMPUTER SOFTWARE COSTS	COMPUTER SOFTWARE DEVELOPMENT PROJECTS - WORKS IN PROGRESS COSTS	TOTAL
	\$'000	\$'000	\$'000
Carrying amount at start of year	5,120	1,847	6,967
Additions	4,452	3,948	8,400
Transfers	-	(4,452)	(4,452)
Amortisation expense	(2,623)	-	(2,623)
<b>Carrying amount at end of year</b>	<b>6,949</b>	<b>1,343</b>	<b>8,292</b>

## 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 2008**

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 2008, 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 "<http://www.audit.wa.gov.au/pubs/Audit-Practice-Statement.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.

**Government Employees Superannuation Board**  
**Financial Statements and Key Performance Indicators for the year ended 30 June 2008**

**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 2008 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 2008.



COLIN MURPHY  
AUDITOR GENERAL  
29 August 2008



## Certification of key performance indicators

We hereby submit GESB's key performance indicators to provide measures of effectiveness and efficiency in achieving our Government Desired Outcome in 2007/08.

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 2008.



**K M FARRELL**  
**DEPUTY CHAIRMAN**  
28 August 2008



**P J HARVEY**  
**CHAIRMAN**  
28 August 2008



## Key performance indicators

The key performance indicators in this report are produced in order to evaluate GESB's performance in achieving the Government Desired Outcome in 2007/08. 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 Desired Outcome 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 key performance indicators are audited by the Office of the Auditor General.

The Report on Operations includes other relevant measures for illustrative purposes that provide an overview of performance during 2007/08.

### GOVERNMENT DESIRED OUTCOME

GESB's Government Desired Outcome originates from the *State Superannuation Act 2000* and the *State Superannuation Regulations 2001*. GESB's Government Desired Outcome is 'improved long term financial security of members'.

In achieving the desired outcome, 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 improved to 90% this year.

GESB uses an external market research company to conduct its member surveys. A random sampling process was used on a representative base of 1008 active Gold State, West State Super and GESB Super members. 1008 respondents provide a maximum level of error of up to +/- 3.1% at the 95% level of significance.

	2003/04	2004/05	2005/06	2006/07	2007/08 ACTUAL	2007/08 TARGET
Percentage who are fairly satisfied, satisfied or extremely satisfied	66%	74%	82%	88%	90%	85%

### 2. INVESTMENT PERFORMANCE AGAINST BENCHMARKS

#### Performance by asset classes

The following table shows the performance of the various asset classes compared to established industry benchmarks. Returns are not available for GESB's global fixed interest, global property and growth alternatives asset classes as performance measurement only commenced in 2008. Commentary on the performances of the mainstream asset classes can be found in the Report on Operations.

		1 YEAR GROSS RETURN %	3 YEAR GROSS RETURN % PA	5 YEAR GROSS RETURN % PA
Asset Class	Cash/Liquidity	6.42	6.33	6.11
Benchmark	UBSA Australian Bank Bill Index	7.34	6.51	6.09
Asset Class	Global Fixed Interest*	N/A	N/A	N/A
Benchmark	55% Lehman Brothers Global Aggregate Index AUD Hedged + 45% UBSA Composite Bond Index	N/A	N/A	N/A
Asset Class	Global Property*	N/A	N/A	N/A
Benchmark	50% S&P/ASX 300 Listed Property Accumulation Index + 50% UBS Global Investors ex Australia AUD Hedged	N/A	N/A	N/A
Asset Class	International Equities	-13.10	6.52	9.58
Benchmark	International Equities Composite Benchmark	-17.39	4.48	8.41
Asset Class	Australian Equities	-12.02	12.06	17.10
Benchmark	S&P/ASX 300 Accumulation Index	-13.67	11.42	16.24
Asset Class	Growth Alternatives*	N/A	N/A	N/A
Benchmark	1/3 S&P/ASX 200 Accumulation Index + 2/3 (MSCI World ex Australian Index Net Dividends in AUD, 50% Hedged)	N/A	N/A	N/A
Asset Class	SRI – Australian Equities**	-14.93	N/A	N/A
Benchmark	S&P/ASX 200 Accumulation Index	-13.40	N/A	N/A
<b>Total Fund</b>		<b>-7.86</b>	<b>7.52</b>	<b>10.34</b>

\* Returns are not available as this asset class was consolidated in 2008

\*\* SRI - Australian Equities inception April 2007

### Performance of West State Super diversified plans

In February 2006 the Board approved new primary longer term CPI based investment objectives for all Readymade Plans across all schemes.

The primary objective is to deliver investment performance, as measured by returns to members, 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 shows the actual performance (gross returns) 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"> <li>● CPI + 2.2% p.a.</li> <li>● Limit the probability of a negative absolute return in any one year</li> </ul>	5.30	6.24
Conservative Plan	<ul style="list-style-type: none"> <li>● CPI + 3.3% p.a.</li> <li>● Limit the probability of a negative absolute return to 1 in 9.5 years</li> </ul>	6.40	7.75
Balanced Plan	<ul style="list-style-type: none"> <li>● CPI + 3.7% p.a.</li> <li>● Limit the probability of a negative absolute return to 1 in 4.9 years</li> </ul>	6.80	9.68
Growth Plan	<ul style="list-style-type: none"> <li>● CPI + 4.0% p.a.</li> <li>● Limit the probability of a negative absolute return to 1 in 4.3 years</li> </ul>	7.10	10.72

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

The Balanced Plan (the plan adopted by the majority of West State Super members) achieved a gross return of -6.33% for the year against a benchmark return of -8.09%. The Balanced Plan's three year performance of 7.08% pa exceeded its benchmark by 0.84% pa.

INVESTMENT PLAN		1 YEAR GROSS RETURN %	3 YEAR GROSS RETURN % PA
Investment Plan	Cash Plan	6.56	6.47
Benchmark	UBSA Australian Bank Bill Index	7.34	6.51
Investment Plan	Conservative Plan	0.00	6.22
Benchmark	Notional Return on Benchmark Allocation	-0.88	5.77
Investment Plan	Balanced Plan	-6.33	7.08
Benchmark	Notional Return on Benchmark Allocation	-8.09	6.24
Investment Plan	Growth Plan	-9.46	7.73
Benchmark	Notional Return on Benchmark Allocation	-11.44	6.62
Investment Plan	MY Plan – Global Fixed Interest	3.52	3.73
Benchmark	Notional Return on Benchmark Allocation	4.01	3.83
Investment Plan	MY Plan – Listed Properties	-29.55	1.33
Benchmark	Notional Return on Benchmark Allocation	-28.43	1.03
Investment Plan	MY Plan – Australian Equities	-11.95	11.71
Benchmark	Notional Return on Benchmark Allocation	-13.40	11.28
Investment Plan	MY Plan – International Equities	-12.65	6.90
Benchmark	Notional Return on Benchmark Allocation	-17.09	4.47

#### Performance of GESB Super diversified plans

In December 2006 the Board approved longer term CPI based investment objectives for all GESB Super Readymade plans.

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

GESB Super was inceptioned 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"> <li>● CPI + 1.4% p.a.</li> <li>● Limit the probability of a negative absolute return in any one year</li> </ul>	4.50	N/A
Conservative Plan	<ul style="list-style-type: none"> <li>● CPI + 2.7% p.a.</li> <li>● Limit the probability of a negative absolute return to 1 in 7.1 years</li> </ul>	5.80	N/A
Balanced Conservative Plan	<ul style="list-style-type: none"> <li>● CPI + 3.1% p.a.</li> <li>● Limit the probability of a negative absolute return to 1 in 4.6 years</li> </ul>	6.20	N/A
Balanced Growth Plan	<ul style="list-style-type: none"> <li>● CPI + 3.3% p.a.</li> <li>● Limit the probability of a negative absolute return to 1 in 4.2 years</li> </ul>	6.40	N/A
Growth Plan	<ul style="list-style-type: none"> <li>● CPI + 3.7% p.a.</li> <li>● Limit the probability of a negative absolute return to 1 in 3.9 years</li> </ul>	6.80	N/A

\* GESB Super was inceptioned in April 2007.

## Performance of retirement products:

### Retirement Access

On 11 April 2008, the scheme rules were changed to align them to those of the GESB Super scheme. The scheme name was changed to GESB Super (Retirement Access).

### Retirement Income

In February 2006 the Board approved new primary longer term CPI based investment objectives for all Readymade Plans across all schemes.

The primary objective is to deliver investment performance, as measured by returns to members, 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 shows the actual performance (gross returns) 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"> <li>• CPI + 2.2% p.a.</li> <li>• Limit the probability of a negative absolute return in any one year</li> </ul>	5.30	6.21
Conservative Plan	<ul style="list-style-type: none"> <li>• CPI + 3.4% p.a.</li> <li>• Limit the probability of a negative absolute return to 1 in 8.1 years</li> </ul>	6.50	8.05
Balanced Plan	<ul style="list-style-type: none"> <li>• CPI + 3.9% p.a.</li> <li>• Limit the probability of a negative absolute return to 1 in 4.6 years</li> </ul>	7.00	10.15
Growth Plan	<ul style="list-style-type: none"> <li>• CPI + 4.3% p.a.</li> <li>• Limit the probability of a negative absolute return to 1 in 4.1 years</li> </ul>	7.40	11.46

The table shows the actual performance (gross returns) 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 and three year rolling period.

The Balanced Plan (the plan adopted by the majority of Retirement Income members) achieved a gross return of -5.79% for the year. Over three years, the Balanced Plan outperformed its benchmark by 0.97% pa.

	INVESTMENT PLAN	1 YEAR GROSS RETURN %	3 YEAR GROSS RETURN % PA
Investment Plan	Cash Plan	6.49	6.44
Benchmark	UBSA Australian Bank Bill Index	7.34	6.51
Investment Plan	Conservative Plan	0.31	6.42
Benchmark	Notional Return on Benchmark Allocation	-0.74	6.00
Investment Plan	Balanced Plan	-5.79	7.59
Benchmark	Notional Return on Benchmark Allocation	-7.89	6.62
Investment Plan	Growth Plan	-8.92	8.23
Benchmark	Notional Return on Benchmark Allocation	-11.28	6.97
Investment Plan	MY Plan – Global Fixed Interest	3.47	3.75
Benchmark	Notional Return on Benchmark Allocation	4.01	3.83
Investment Plan	MY Plan – Listed Properties	-29.58	0.99
Benchmark	Notional Return on Benchmark Allocation	-28.43	1.03
Investment Plan	MY Plan – Australian Equities	-10.91	12.09
Benchmark	Notional Return on Benchmark Allocation	-13.40	11.28
Investment Plan	MY Plan – International Equities	-12.70	5.96
Benchmark	Notional Return on Benchmark Allocation	-17.09	4.47

### Retirement Income – Term Allocated Pension

In February 2006 the Board approved new primary longer term CPI based investment objectives for all Readymade Plans across all schemes.

The primary objective is to deliver investment performance as measured through returns to members 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 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 <sup>^</sup>	<ul style="list-style-type: none"> <li>● CPI + 2.2% p.a.</li> <li>● Limit the probability of a negative absolute return in any one year</li> </ul>	5.30	N/A
Conservative Plan <sup>**</sup>	<ul style="list-style-type: none"> <li>● CPI + 3.4% p.a.</li> <li>● Limit the probability of a negative absolute return to 1 in 8.1 years</li> </ul>	6.50	6.79
Balanced Plan <sup>**</sup>	<ul style="list-style-type: none"> <li>● CPI + 3.9% p.a.</li> <li>● Limit the probability of a negative absolute return to 1 in 4.6 years</li> </ul>	7.00	8.03
Growth Plan <sup>^</sup>	<ul style="list-style-type: none"> <li>● CPI + 4.3% p.a.</li> <li>● Limit the probability of a negative absolute return to 1 in 4.1 years</li> </ul>	7.40	N/A

<sup>^</sup> N/A – no longer term performance history.

<sup>\*\*</sup> since inception plans with less than 5 years of performance history have used at least 3 years of performance data.

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

The Retirement Income – Term Allocated Pension (RI-TAP) Conservative and Balanced plans exceeded their benchmarks over the one and three year periods.

	INVESTMENT PLAN	1 YEAR GROSS RETURN %	3 YEAR GROSS RETURN % PA
Investment Plan	Cash Plan *	6.59	6.48
Benchmark	UBSA Australian Bank Bill Index	7.34	6.53
Investment Plan	Conservative Plan	0.14	6.40
Benchmark	Notional Return on Benchmark Allocation	-0.74	6.00
Investment Plan	Balanced Plan	-5.86	7.57
Benchmark	Notional Return on Benchmark Allocation	-7.89	6.62
Investment Plan	Growth Plan *	-8.78	6.32
Benchmark	Notional Return on Benchmark Allocation	-11.28	5.02
Investment Plan	MY Plan – Global Fixed Interest *	3.52	3.33
Benchmark	Notional Return on Benchmark Allocation	4.01	3.50
Investment Plan	MY Plan – Listed Properties *	-29.55	-3.50
Benchmark	Notional Return on Benchmark Allocation	-28.43	-3.98
Investment Plan	MY Plan – Australian Equities *	-10.55	7.90
Benchmark	Notional Return on Benchmark Allocation	-13.40	6.72
Investment Plan	MY Plan – International Equities *	-12.64	1.06
Benchmark	Notional Return on Benchmark Allocation	-17.09	-1.61

\* since inception plans with less than 3 years of performance history have used at least 1 year of performance data.

### Gold State Super and the Pension Scheme

The assets of the defined benefits schemes, Gold State Super and the Pension Scheme, are pooled into a single strategy and are invested with a common asset allocation. That strategy achieved a gross return of -10.73% for the year. Over the three year period the strategy has achieved a return of 7.54% pa, exceeding its benchmark by 0.93% pa, largely due to strong relative returns from GESB's equity managers. Gold State Super and Pension Scheme also have a longer term objective of exceeding the CPI by 4% per annum over rolling five year periods, which they outperformed by 3.53% pa to 2007/08.

### Efficiency indicators

#### A RANGE OF COMPETITIVE PRODUCTS THAT IS RELEVANT TO MEMBERS

##### 1. AVERAGE COST PER MEMBER ACCOUNT

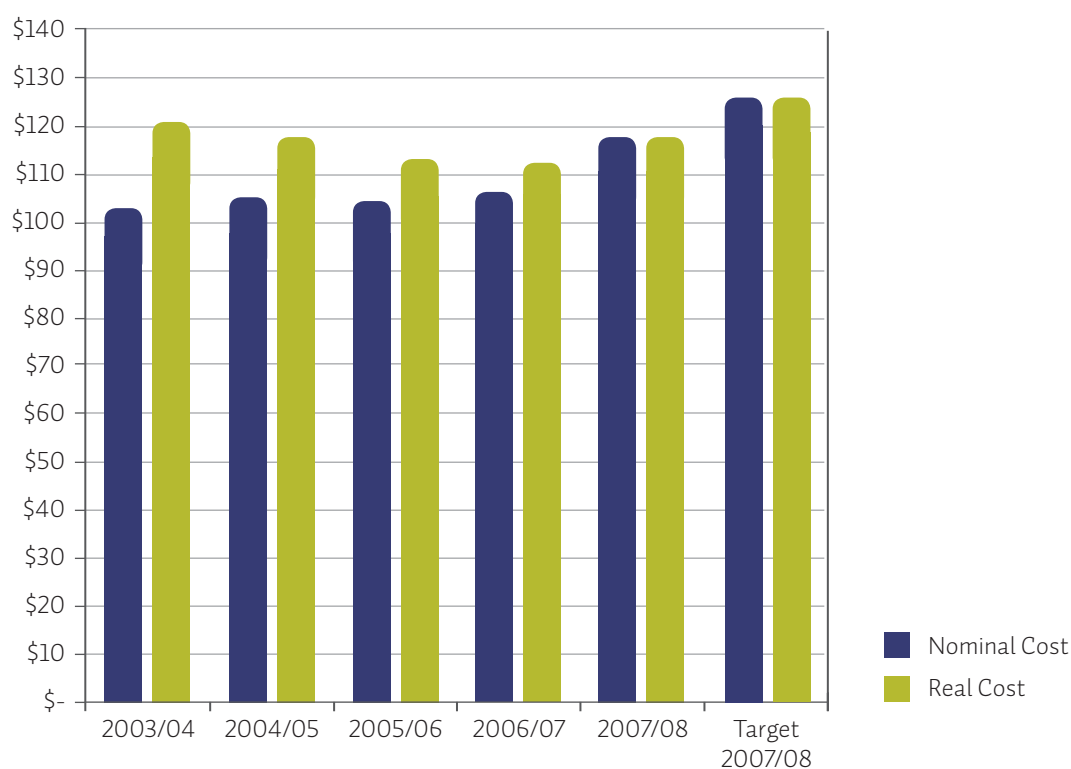
The average cost per member of administering the schemes increased 6% in real terms. The once-off cost for transition to choice has been excluded from the current year's total administration costs in order to maintain comparability with prior years' figures. Total costs reflect higher administration expenditure due partly to higher recruitment activity in preparation for mutualisation and partly to adjustments to increase the provision for employee benefits and post employment benefits. These costs are off set in part by savings in other administration costs and lower depreciation costs.

	2003/04	2004/05	2005/06	2006/07	2007/08 <sup>1</sup>	2007/08 TARGET
Nominal Cost	\$103.10 <sup>2</sup>	\$105.24 <sup>2</sup>	\$105.09	\$107.74	\$118.83	\$125.29
Real Cost	\$120.72	\$118.76	\$113.25	\$112.58	\$118.83	\$125.29

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

2. The 2003/04 and 2004/05 figures have been restated from \$101.80 and \$104.08 to include adjustments to superannuation liabilities of \$0.38 million in 2003/04 and \$0.35 million in 2004/05 as a result of the introduction of AASB 119 Employee Benefits.

#### MANAGEMENT EXPENSE RATIO





## 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 and the delay of some strategic initiatives contributed to the MER being contained to 0.36% for 2007/08 outperforming its target of 0.39%.



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

# Appendices

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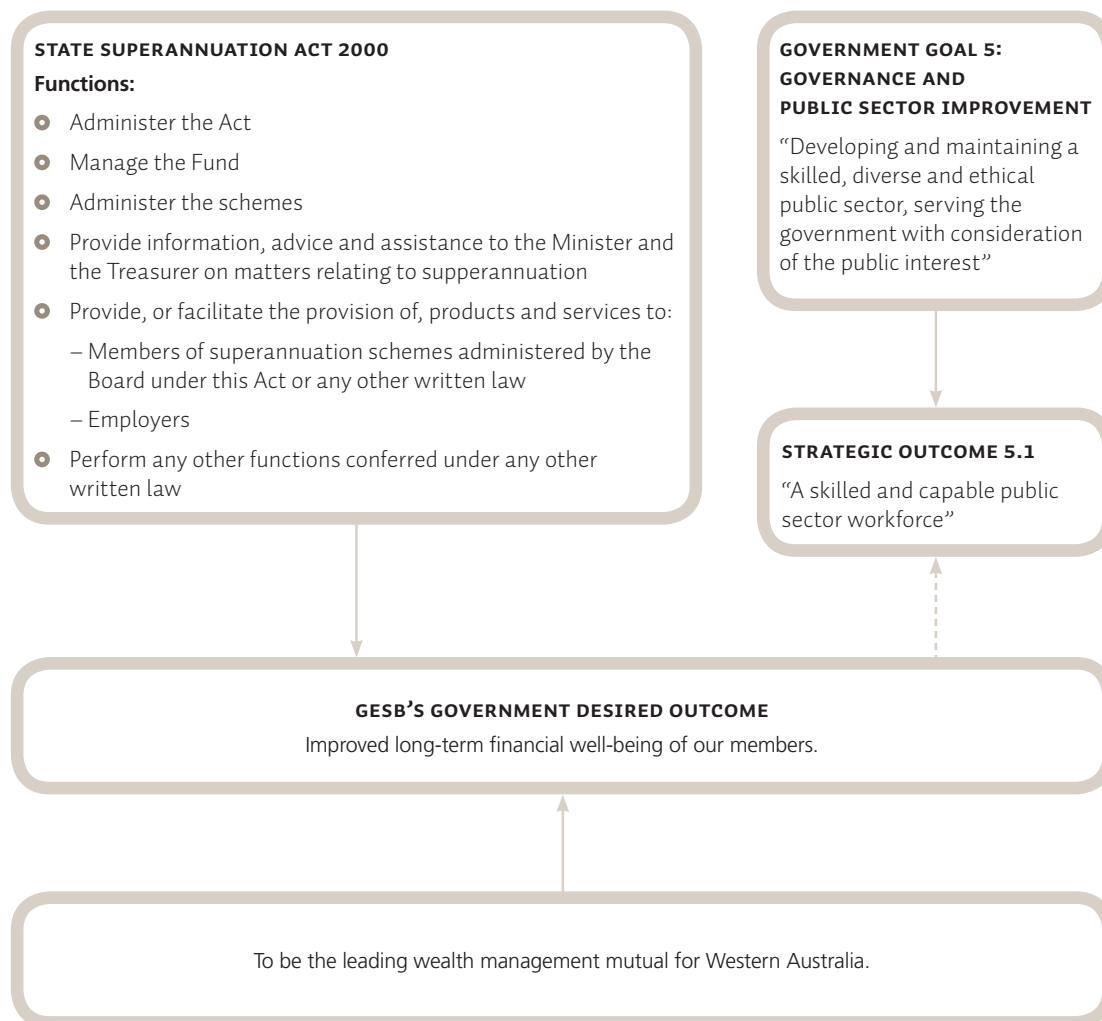
- 1 ..... Government desired outcome and service
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## Appendix 1 - Government Desired Outcome and service

GESB's Government Desired Outcome originates from the *State Superannuation Act 2000* and the *State Superannuation Regulations 2001*. GESB's Government Desired Outcome, 'improved long term financial well-being of our members', indirectly contributes to developing and maintaining a skilled, diverse and ethical public sector, serving the Government with consideration of the public interest. GESB's service, which also indirectly contributes to the Government Desired Outcome, is to provide a range of competitive products that is relevant to members. The provision of competitive superannuation products and services with sound returns and competitive fees, managed efficiently to long-term objectives is fundamental to the achievement of GESB's Government Desired Outcome.

GESB's Desired Outcome indirectly contributes to the Government Goal 5. GESB's contribution is indirect, due to its direct mandate to act in the best interests of members. Unlike other government agencies, GESB provides services to current and former public sector employees and their partners, rather than all Western Australians. Good governance underpins GESB's desire to serve the government whilst fulfilling its mandate to act in the best interest of the member.



## Appendix 2 – Schemes design

GESB administers five superannuation schemes for state 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 the 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 TO COMPLY WITH THE PROVISIONS OF THE COMMONWEALTH'S SUPERANNUATION GUARANTEE (ADMINISTRATION) ACT 1992.

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 additional 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 become members of the GESB Super scheme.

#### 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 \$5.00 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. This is capped at \$500 pa.

'Membership Protection' applies to GESB Super accounts, which means that administration fees comprising the Account Keeping Fee and Administration Expense Ratio for GESB Super members with account balances of less than \$1,000 at 30 June each year cannot exceed investment earnings paid during the year.

An Investment Management Fee or Management Expense Ratio (MER) fee is an annual percentage fee applied to cover the cost of managing superannuation investments. 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 2007/08 ranged from 0.16% for the Cash Plan to 0.38% 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, American International Assurance Company (Australia) Limited trading as AIG Life.

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

Statutory members (those receiving compulsory SG employer contributions) who are permanent full-time or part-time working at least 0.4 Full-Time Equivalent and aged 64 years and under are eligible for Salary Continuance Insurance (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 members cancelled 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 insurance cover.

## West State Super

WEST STATE SUPER IS AN ACCUMULATION STYLE SUPERANNUATION SCHEME THAT WAS ESTABLISHED WITH EFFECT FROM 1 JULY 1992 TO COMPLY WITH THE PROVISIONS OF THE COMMONWEALTH'S SUPERANNUATION GUARANTEE (ADMINISTRATION) ACT 1992.

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

West State Super closed on 16 April 2007. From this date, all new super accounts are opened in GESB Super. There are no changes to existing West State Super accounts with the introduction of GESB Super; these accounts continue to operate as usual.

### 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 \$5.00 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. This is capped at \$500.00 pa.

'Membership Protection' applies to West State Super accounts, which means that administration fees comprising the Account Keeping Fee and Administration Expense Ratio for West State Super members with account balances of less than \$1,000 at 30 June each year cannot exceed investment earnings paid during the year.

An Investment Management Fee or Management Expense Ratio (MER) fee is an annual percentage fee applied to cover the cost of managing superannuation investments. 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 2007/08 ranged from 0.16% for the Cash Plan to 0.38% for the Growth Plan.

Insurance premiums are actuarially determined based on the age and gender of the member at the time the charge is levied each month. Insurance fees are only deducted if an SG contribution has been received in that month.

### BENEFITS

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

*Note: A member is guaranteed to receive the higher of either their account balance at retirement, or the equivalent of their account balance at 30 June 2001, indexed at the rate of the Perth Consumer Price Index (CPI) plus 2% pa until retirement date.*

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

### PORTABILITY/PRESERVATION

Where a member ceases State Government employment before age 55 years, 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

Statutory members (those receiving compulsory employer contributions) initially receive automatic death and disability cover up to age 60 years. An opt-out provision is available and members may reinstate their insurance cover by undertaking a medical examination.

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



## Gold State Super

*GOLD STATE SUPER IS A DEFINED BENEFIT, LUMP SUM SCHEME IN WHICH BENEFITS ARE EXPRESSED AS A MULTIPLE OF FINAL REMUNERATION.*

### **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

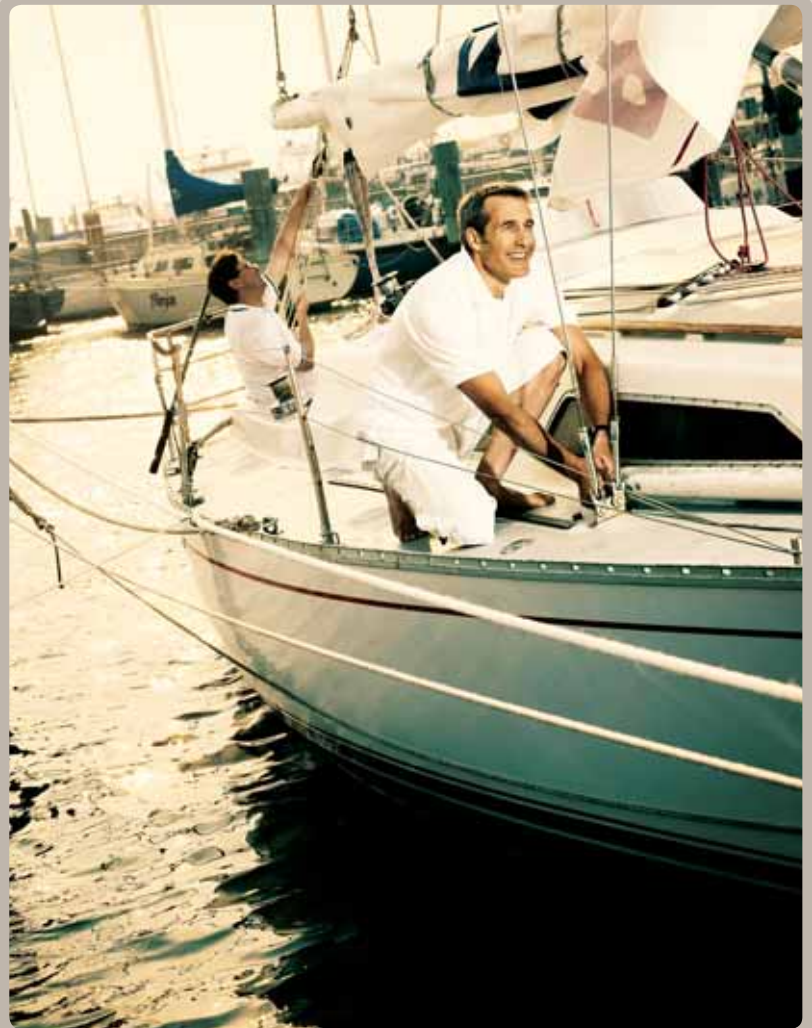
No separate administration or insurance fees are charged to members as these costs are built into the scheme benefit design.

### 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 Consumer Price Index (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 are 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. On the death of a contributor, a pension equal to two thirds of the member's retirement pension is payable to their widow/er or de facto partner.

## GESB Super (Retirement Access)

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

Members' account balances build up over time from 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 additional cost.

### **MEMBERSHIP**

The scheme closed to new members from March 2008.

### **CONTRIBUTIONS**

Only superannuation benefits that are immediately accessible can be transferred to the scheme. Members are also able to invest additional lump sum contributions.

### **FEES**

A single annual management fee of up to 1.2% of assets is charged depending on the investment plan selected by the member.

### **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 AVAILABLE TO CURRENT AND FORMER MEMBERS OF GOLD STATE SUPER, WEST STATE SUPER AND GESB SUPER (RETIREMENT ACCESS) MEMBERS WHO ARE LOOKING FOR A REGULAR INCOME STREAM IN RETIREMENT.*

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 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**

Generally, a Retirement Income Allocated Pension account can be opened by 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.

## Retirement Income Term Allocated Pension



### 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 Government 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 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 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

A Retirement Income Term Allocated Pension scheme was closed to new members on 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.

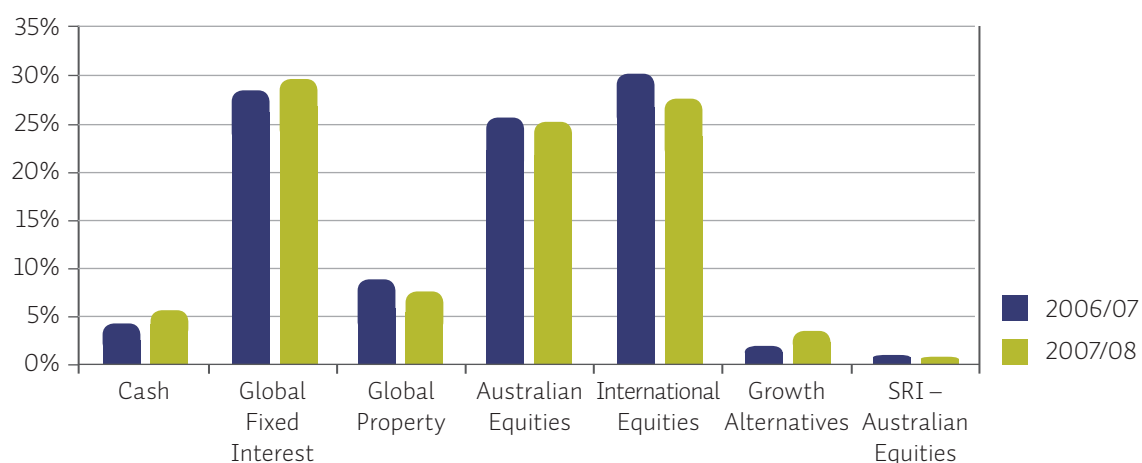
Generally, a Retirement Income Term Allocated Pension account may not be closed after the first six months. On death, the balance of the account is paid to the member's estate unless they have nominated a reversionary pensioner, in which case the pension will carry on while the reversionary is alive, or until it reaches the end of its term.

## Appendix 3 – Investment schedules

### Investment portfolio composition

The table below represents the split of assets in the investment portfolio for the last two years.

	2006/07		2007/08	
	\$M	TOTAL %	\$M	TOTAL %
Cash	356.1	4.0	503.9	5.7
Global Fixed Interest	2,510.5	28.1	2,574.6	29.4
Global Property	778.2	8.7	677.5	7.7
Australian Equities	2,309.5	25.9	2,224.2	25.3
International Equities	2,682.5	30.1	2,415.3	27.6
Growth Alternatives	186.8	2.1	288.8	3.3
SRI - Australian Equities	94.9	1.1	91.7	1.0
<b>Total</b>	<b>8,918.5</b>	<b>100.0</b>	<b>8,776.0</b>	<b>100.0</b>



## Strategic asset allocations

Actual asset allocations for the West State Super diversified plans and Gold State Super / Pension Scheme relative to the strategic asset allocations as at 30 June 2008.

	GOLD STATE SUPER/ PENSION SCHEME	CASH	CONSERVATIVE	BALANCED	GROWTH
Cash	0.00%	100.00%	28.12%	0.00%	0.00%
SAA	0.00%	100.00%	28.00%	0.00%	0.00%
Global Fixed Interest	18.75%	0.00%	41.43%	39.80%	24.24%
SAA	18.40%	0.00%	41.10%	38.80%	23.40%
Growth Alternatives	4.35%	0.00%	0.00%	3.26%	4.64%
SAA	3.00%	0.00%	0.00%	3.00%	4.50%
Australian Equities	30.44%	0.00%	10.90%	22.64%	27.74%
SAA	30.60%	0.00%	11.00%	22.90%	27.80%
SRI- Australian Equities	0.76%	0.00%	0.99%	0.98%	1.98%
SAA	1.00%	0.00%	1.00%	1.00%	2.00%
International Equities	35.92%	0.00%	15.56%	26.50%	32.50%
SAA	36.80%	0.00%	15.80%	27.20%	33.10%
Global Property	9.78%	0.00%	3.00%	6.82%	8.90%
SAA	10.20%	0.00%	3.10%	7.10%	9.20%
<b>Growth/Defensive</b>	<b>80/20</b>	<b>0/100</b>	<b>30/70</b>	<b>60/40</b>	<b>75/25</b>

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.

Actual asset allocations for the West State Super MY Plans relative to the strategic asset allocations as at 30 June 2008.

ASSET CLASS	MY PLAN GLOBAL FIXED INTEREST	MY PLAN AUSTRALIAN EQUITIES	MY PLAN INTERNATIONAL EQUITIES	MY PLAN PROPERTY
Global Fixed Interest	100.00%	0.00%	0.00%	0.00%
SAA	100.00%	0.00%	0.00%	0.00%
Growth Alternatives	0.00%	0.00%	0.00%	0.00%
SAA	0.00%	0.00%	0.00%	0.00%
Australian Equities	0.00%	94.99%	0.00%	0.00%
SAA	0.00%	95.00%	0.00%	0.00%
SRI- Australian Equities	0.00%	5.01%	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%
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.

Actual asset allocations for the GESB Super diversified plans relative to the strategic asset allocations as at 30 June 2008.

ASSET CLASS	CASH	CONSERVATIVE	BALANCED CONSERVATIVE	BALANCED GROWTH	GROWTH
Cash	100.00%	27.30%	0.00%	0.00%	0.00%
SAA	100.00%	27.00%	0.00%	0.00%	0.00%
Global Fixed Interest	0.00%	37.53%	39.18%	28.69%	13.52%
SAA	0.00%	37.00%	38.80%	28.60%	13.30%
Growth Alternatives	0.00%	0.00%	3.02%	3.01%	4.52%
SAA	0.00%	0.00%	3.00%	3.00%	4.50%
Australian Equities	0.00%	15.88%	26.99%	32.34%	36.95%
SAA	0.00%	16.10%	27.00%	32.30%	36.90%
SRI- Australian Equities	0.00%	0.97%	0.99%	1.00%	1.99%
SAA	0.00%	1.00%	1.00%	1.00%	2.00%
International Equities	0.00%	14.39%	22.90%	26.89%	33.04%
SAA	0.00%	14.80%	23.10%	26.90%	33.10%
Global Property	0.00%	3.93%	6.92%	8.07%	9.98%
SAA	0.00%	4.10%	7.10%	8.20%	10.20%
<b>Growth/Defensive</b>	<b>0/100</b>	<b>35/65</b>	<b>60/40</b>	<b>70/30</b>	<b>85/15</b>

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.

Actual asset allocations for the GESB Super MY Plans relative to the strategic asset allocations as at 30 June 2008.

ASSET CLASS	MY PLAN GLOBAL FIXED INTEREST	MY PLAN AUSTRALIAN EQUITIES	MY PLAN INTERNATIONAL EQUITIES	MY PLAN PROPERTY	MY PLAN SRI - AUST EQUITIES
Global Fixed Interest	100.00%	0.00%	0.00%	0.00%	0.00%
SAA	100.00%	0.00%	0.00%	0.00%	0.00%
Growth Alternatives	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%	94.98%	0.00%	0.00%	0.00%
SAA	0.00%	95.00%	0.00%	0.00%	0.00%
SRI- Australian Equities	0.00%	5.02%	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%
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.

Actual asset allocations for the Retirement Income diversified plans relative to the strategic asset allocations as at 30 June 2008.

ASSET CLASS	CASH	CONSERVATIVE	BALANCED	GROWTH
Cash	0.00%	28.11%	0.00%	0.00%
SAA	0.00%	28.00%	0.00%	0.00%
Global Fixed Interest	100.00%	41.55%	39.67%	23.76%
SAA	100.00%	41.10%	38.80%	23.50%
Growth Alternatives	0.00%	0.00%	3.07%	4.51%
SAA	0.00%	0.00%	3.00%	4.50%
Australian Equities	0.00%	13.95%	26.71%	31.80%
SAA	0.00%	14.10%	26.90%	31.80%
SRI- Australian Equities	0.00%	0.98%	0.98%	1.99%
SAA	0.00%	1.00%	1.00%	2.00%
International Equities	0.00%	12.39%	22.71%	28.93%
SAA	0.00%	12.70%	23.20%	29.00%
Global Property	0.00%	3.02%	6.86%	9.01%
SAA	0.00%	3.10%	7.10%	9.20%
<b>Growth/Defensive</b>	<b>0/100</b>	<b>30/70</b>	<b>60/40</b>	<b>75/25</b>

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.

Actual asset allocations for the Retirement Income MY Plans relative to the strategic asset allocations as at 30 June 2008.

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%
Growth Alternatives	0.00%	0.00%	0.00%	0.00%
SAA	0.00%	0.00%	0.00%	0.00%
Australian Equities	0.00%	94.96%	0.00%	0.00%
SAA	0.00%	95.00%	0.00%	0.00%
SRI- Australian Equities	0.00%	5.04%	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%
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.

Actual asset allocations for the Retirement Income – Term Allocated Pension diversified plans relative to the strategic asset allocations as at 30 June 2008.

ASSET CLASS	CASH	CONSERVATIVE	BALANCED	GROWTH
Cash	100.00%	28.29%	0.00%	0.00%
SAA	100.00%	28.00%	0.00%	0.00%
Global Fixed Interest	0.00%	41.86%	40.02%	24.41%
SAA	0.00%	41.10%	38.80%	23.50%
Growth Alternatives	0.00%	0.00%	3.08%	4.65%
SAA	0.00%	0.00%	3.00%	4.50%
Australian Equities	0.00%	13.76%	26.58%	31.67%
SAA	0.00%	14.10%	26.90%	31.80%
SRI- Australian Equities	0.00%	0.97%	0.99%	1.99%
SAA	0.00%	1.00%	1.00%	2.00%
International Equities	0.00%	12.19%	22.53%	28.39%
SAA	0.00%	12.70%	23.20%	29.00%
Global Property	0.00%	2.93%	6.80%	8.89%
SAA	0.00%	3.10%	7.10%	9.20%
<b>Growth/Defensive</b>	<b>0/100</b>	<b>30/70</b>	<b>60/40</b>	<b>75/25</b>

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.

Actual asset allocations for the Retirement Income – Term Allocated Pension MY Plans relative to the strategic asset allocations as at 30 June 2008.

ASSET CLASS	MY PLAN GLOBAL FIXED INTEREST	MY PLAN AUSTRALIAN EQUITIES	MY PLAN INTERNATIONAL EQUITIES	MY PLAN PROPERTY
Global Fixed Interest	100.00%	0.00%	0.00%	0.00%
SAA	100.00%	0.00%	0.00%	0.00%
Growth Alternatives	0.00%	0.00%	0.00%	0.00%
SAA	0.00%	0.00%	0.00%	0.00%
Australian Equities	0.00%	95.04%	0.00%	0.00%
SAA	0.00%	95.00%	0.00%	0.00%
SRI- Australian Equities	0.00%	4.96%	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%
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.



## External fund managers as at 30 June 2008

TYPE OF ASSET	MANAGER
Cash	Macquarie Investment Management Ltd Western Australian Treasury Corporation
Australian Equities	Fortis Investment Management Australia Limited (formerly known as ABN AMRO Asset Management (Australia) Ltd) AMP Capital Investors Ltd Tribeca Investment Management Ltd (formerly known as Jenkins Investment Management Ltd) Portfolio Partners Ltd Perennial Value Management Ltd SG Hiscock and Company
SRI Australian Equities	AMP Capital Investors Ltd
International Equities	AllianceBernstein Investment Management Australia Ltd 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	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	SG Hiscock and Company Deutsche Asset Management (Australia) Ltd Vanguard Investments Australia Ltd CB Richard Ellis Global Real Estate Securities, LLC
Growth Alternatives	Macquarie Investment Management Ltd State Street Global Advisors Australia Ltd

## Benchmarks

The table below shows the performance benchmarks used for each of GESB's asset classes.

CASH	UBSA AUSTRALIAN 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% Lehman Brothers 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
Growth Alternatives	1/3 S&P/ASX 200 Accumulation Index + 2/3 (MSCI World ex Australia Index Net Dividends in AUD, 50% Hedged)

## Appendix 4 – Legislation administered

DURING 2007/08, GESB WAS DIRECTLY RESPONSIBLE FOR ADMINISTERING THE FOLLOWING STATE LEGISLATION:

- STATE SUPERANNUATION ACT 2000
- SUPERANNUATION AND FAMILY BENEFITS ACT 1938<sup>1</sup>
- JUDGES SALARIES AND PENSIONS ACT 1950
- PARLIAMENTARY SUPERANNUATION ACT 1970

### 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 2007/08 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
- Family Law Act 1975
- Financial Sector (Collection of Data) Act 2001
- Financial Transaction Reports Act 1988
- Income Tax Assessment Act 1936
- Privacy Act 1988<sup>2</sup>
- 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<sup>2</sup>
- Trade Practices Act 1974
- Veterans' Entitlements Act 1986
- Workplace Relations Act 1996.

<sup>1</sup> 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.

<sup>2</sup> 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 – Sustainability triple bottom line reporting

GESB is required to report on its compliance with the Sustainability Code of Practice. The table below details GESB's progress against its commitments as outlined in its 2004/05 Sustainability Action Plan using the triple bottom line approach.

COMMITMENTS	ACTIONS RELATED TO COMMITMENT	OUTCOMES IN 2007/08	STATUS/RESULT
<b>Economic</b>			
Incorporate sustainability principles and action into strategic and business plans	Continue to deliver sound investment returns over the long term.	Funds Under Management Growth targeted to increase by 15%.	Funds Under Management decreased by 1.57% in 2007/08
	Effectively manage investment costs	Investment MER to be maintained at 0.39%	MER for 2007/08 was 0.36%
	Ensure planning is consistent with the State Planning Framework where appropriate	Relevant outcomes included in SCI/SDP	Completed
	Integrate triple bottom line principles into planning framework where appropriate	Scorecard and action plan included in SCI/SDP	Completed
Report on compliance of Sustainability Code of Practice in Annual Reports	Include Triple Bottom Line reporting in Annual Report	Reported in 2007/08 Annual Report	Completed
	Describe GESB's progress against sustainability action plan in Annual Report	Reported in 2007/08 Annual Report	Completed
Where appropriate, actively engage stakeholders and the public in transparent policy development and decision-making processes.	GESB will continue to consult with members as part of its product development process	Level of member satisfaction with GESB's products and services to exceed 80%	Overall Member Satisfaction for 2007/08 was 90%.
<b>Environment</b>			
Ensure procurement complies with the Government's Buying Wisely supply policies	GESB will continue to use State Supply Commission policies and guidelines, including Environmental Procurement Policy as a best practice guide where appropriate	Ongoing	Ongoing
	GESB will buy recyclable products where these are available at competitive prices on a lifecycle costing basis	Ongoing	Ongoing
Improve environmental performance through minimising waste and resource consumption and maximising recycling	Migration from print to electronic media as appropriate	Increased reach and frequency without increasing mail-out costs	Ongoing
	Adopt efficient printing and copying practices to reduce paper consumption.	Number of hits to GESB website Encouragement of double-sided printing and copying practices.	Ongoing Ongoing

COMMITMENTS	ACTIONS RELATED TO COMMITMENT	OUTCOMES IN 2007/08	STATUS/RESULT
<b>Environment</b>			
	Recycling of paper, cans and plastics	Emails/posters to encourage staff New recycling bins introduced in May 2008	Ongoing
Achieving energy cost saving and reducing green house emissions	GESB completed a refurbishment of its accommodation that will include energy management devices to assist in reducing power consumption.	Current energy consumption is below the Central Park average	GESB office refurbishment contains energy saving devices.
Minimising water use	Investigate feasibility of undertaking a water audit in consultation with the Department of Housing and Works.	Water audit was not able to be undertaken as there are no separate water meters for individual floors within the accommodation.	GESB office refurbishment contains water saving devices.
Minimising the number of vehicles, maximising fuel efficiency, reducing vehicle use and promoting travel alternatives	GESB will continue to monitor the appropriateness of its car fleet.	GESB has a total of 4 cars: 2 dual fuel (LPG and petrol) and 2 hybrid petrol electric vehicles.	GESB office refurbishment provides showers and lockers for staff who travel to work on foot or by bicycle. All cars are powered by LPG or hybrid petrol electric.
<b>Social</b>			
Support employees in understanding and respecting diversity through anti-racist, equal opportunity and cross cultural awareness training programmes	Inclusion of EEO and diversity principles Composite Equity Index	Composite Equity Index	Equity Indices Women: 81 People from Culturally Diverse Backgrounds: 54 (20%)
Encouraging employees to contribute to the development of the broader community	Continue to provide flexible work arrangements which allow staff to volunteer and donate to United Way through the payroll system	Extent to which staff have flexible work arrangements: 100%	100%
Implementing health and safety measures in the workplace	Continue and extend the range of OHS practices where appropriate	Number of occurrences	0

## Appendix 6 – Budget estimate 2008/09

### STATEMENT OF CHANGES IN NET ASSETS FOR FINANCIAL YEAR ENDING 30 JUNE

	<b>BUDGET 2009 \$'000</b>
<b>INCOME</b>	
<b>INVESTMENT INCOME</b>	
Realised Income	226,337
Realised Changes in Net Market Value of Investment Assets	226,337
Unrealised Changes in Net Market Value of Investment Assets	301,782
Income from Investments	754,456
<b>SUPERANNUATION REVENUE</b>	
Contributions Income	
Member	580,030
Employer	1,408,421
Inward Transfer from other Funds	276,145
	2,264,596
<b>TOTAL INCOME</b>	3,019,052
<b>EXPENSES</b>	
Superannuation Benefit Payments	1,668,092
Administration Expenses	44,549
Direct Investment Expenses	35,301
Changes in Net Market Value of Other Assets	2,818
Loan Interest	33,263
<b>TOTAL EXPENSES</b>	1,784,023
<b>CHANGE IN NET ASSETS BEFORE INCOME TAX</b>	1,235,029
<b>INCOME TAX EXPENSE</b>	70,841
<b>CHANGE IN NET ASSETS AFTER INCOME TAX</b>	1,164,188
<b>NET ASSETS AVAILABLE TO PAY BENEFITS AT THE BEGINNING OF THE FINANCIAL YEAR</b>	8,308,073
<b>NET ASSETS AVAILABLE TO PAY BENEFITS AT THE END OF THE FINANCIAL YEAR</b>	9,472,261

**STATEMENT OF NET ASSETS FOR FINANCIAL YEAR ENDING 30 JUNE**

	<b>BUDGET 2009 \$'000</b>
<b>ASSETS</b>	
Cash and Cash Equivalents	20,000
Investments	9,954,311
Plant and Equipment	2,414
Intangible Assets	11,495
Receivables	16,613
Prepayments	314
<b>TOTAL ASSETS</b>	<b>10,005,147</b>
<b>LIABILITIES</b>	
Contributions Paid in Advance	732
Unpaid and Accrued Liabilities	2,461
Payables	20,766
Provision for Employee Entitlements	4,281
Provision for Post Employment Liabilities	3,224
Interest Bearing Loans and Borrowings	475,217
Current Tax Liabilities	25,325
Deferred Tax Liabilities	880
<b>TOTAL LIABILITIES</b>	<b>532,886</b>
<b>NET ASSETS AVAILABLE TO PAY BENEFITS</b>	<b>9,472,261</b>

## Appendix 7 – 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 – personal top-up contributions
- 1Place – consolidation of super
- Partner Contribution Brochure and forms – explains the benefits and features of making partner contributions
- Member Online Brochure – shows how to register for the online account service
- Resolving Your Complaint Brochure
- Salary Sacrifice fact sheet
- Commonwealth Government Super Co-contributions fact sheet
- 10 things to think about in Retirement Planning
- 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

#### **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
- Insurance Guide
- Investment Choice
- Schedule of Fees
- Contributions Splitting fact sheet and form
- Insurance Application form
- Insurance Variation form

#### **For West State Super members**

- Your Complete Guide to West State Super – Product Information Booklet
- Schedule of Fees
- Super Outlook member newsletters
- Investment choice

**For Gold State Super members**

- Gold State Super Essentials – explains the benefits and features of Gold State Super
- Transition to Retirement fact sheet
- 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
- Super Outlook member newsletters

**For Retirement Income members**

- Retirement Income Product Information Booklet – explains the benefits and features of Retirement Income Allocated Pension and Term Allocated Pension
- Hands on Retirement
- Schedule of Fees
- Change of Details form
- Withdrawal form
- Investment Choice form

**For employer agencies**

- GESB Super induction flyers – the basics for new employees
- Transition to Retirement – a summary of recent changes, features and benefits
- Departmental Report for Gold State Super Members form
- Notification of Unpaid leave form

**Other publications**

- Annual Reports
- Client Services Charter
- Freedom of Information Statement
- Previous issues of Employer newsletters and Member reports
- Resolving your complaint

**Website**

gesb.com.au as an alternative to the printed publications





## How to contact GESB

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