

This Annual Fund Update provides information about your super fund during the 2018/19 financial year. You can find more information at gesb.wa.gov.au or by calling your Member Services Centre on 13 43 72.

Investment information

Net investment plan performance ending 30 June 2019 (%)

| | GESB Super ¹ | | | West State Super ² | | |
|------------------------|-------------------------|------|-------|-------------------------------|-------|-------|
| | 1YR | 5YRS | 10YRS | 1YR | 5YRS | 10YRS |
| READYMADE PLANS | | | | | | |
| Growth | 7.51 | 7.84 | 9.46 | 7.83 | 8.02 | 9.68 |
| Balanced | 6.93 | 6.50 | 8.22 | - | - | - |
| My GESB Super | 7.26 | 7.13 | 8.64 | - | - | - |
| My West State Super | - | - | - | 7.85 | 7.33 | 9.09 |
| Conservative | 5.65 | 5.01 | 6.40 | 5.96 | 5.14 | 6.61 |
| Cash | 1.95 | 2.03 | 2.77 | 2.29 | 2.39 | 3.24 |
| MIX YOUR PLAN | | | | | | |
| Australian Shares | 8.71 | 8.19 | 9.50 | 8.53 | 8.14 | 9.27 |
| International Shares | 8.92 | 9.61 | 10.80 | 9.65 | 10.72 | 11.94 |
| Property | 6.86 | 6.73 | 11.59 | 7.49 | 7.83 | 12.79 |
| Fixed Interest | 7.59 | 3.55 | 5.18 | 8.92 | 4.25 | 6.16 |
| Cash | 1.95 | 2.03 | 2.77 | 2.29 | 2.39 | 3.24 |

| | Transition to Retirement Pension ¹ | RI Allocated Pension ³ | | | RI Term Allocated Pension ³ | | |
|------------------------|---|-----------------------------------|-------|-------|--|-------|-------|
| | 1YR | 1YR | 5YRS | 10YRS | 1YR | 5YRS | 10YRS |
| READYMADE PLANS | | | | | | | |
| Growth | 7.05 | 7.99 | 8.16 | 9.79 | 7.73 | 7.71 | 9.35 |
| Balanced | 7.07 | 7.91 | 7.31 | 9.02 | 7.64 | 6.88 | 8.62 |
| Conservative | 5.29 | 5.92 | 5.07 | 6.51 | 5.68 | 4.66 | 6.15 |
| Cash | 1.86 | 2.15 | 2.19 | 2.98 | 1.92 | 1.75 | 2.59 |
| MIX YOUR PLAN | | | | | | | |
| Australian Shares | 8.67 | 9.60 | 9.14 | 10.25 | 9.40 | 8.70 | 9.83 |
| International Shares | 9.01 | 9.54 | 10.55 | 11.71 | 9.11 | 10.05 | 11.29 |
| Property | 6.80 | 7.24 | 7.61 | 12.54 | 5.93 | 6.89 | 12.02 |
| Fixed Interest | 7.47 | 8.77 | 4.03 | 5.90 | 8.60 | 3.62 | 5.52 |
| Cash | 1.86 | 2.15 | 2.19 | 2.98 | 1.92 | 1.75 | 2.59 |

Please note, past performance is not a reliable indicator of future performance. Investment returns for different time periods are available at gesb.wa.gov.au/investment_returns or by calling 13 43 72. Any returns greater than one year are annualised.

- 1 GESB Super and Transition to Retirement Pension: all returns are reported net of Indirect Cost Ratio (ICR), are based on transactional prices and include applicable taxes. Transition to Retirement Pension was inceptioned on 15 June 2017, so longer term returns are not available.
- 2 West State Super: all returns are reported net of ICR and are based on transactional prices. Care should be taken when comparing the investment performance of West State Super with other super funds. We do not pay tax on the investment earnings of the fund because of the untaxed status of the fund.
- 3 RI Allocated Pension and RI Term Allocated Pension: all returns are reported net of ICR, are based on transactional prices and are inclusive of franking credits.

Our Board's investment strategy

Our investment strategies aim to achieve returns over the medium to long term that are consistent with the stated investment objectives, depending on the scheme and investment plan. If you're a GESB Super, West State Super, Retirement Income Pension, or RI Term Allocated Pension member, you can choose from a range of investment plans, with varying degrees of expected risk and return.

Our Board has adopted low, medium and high-risk investment strategies to suit your needs. We ensure our investment approach adheres to the 'Prudential Guidelines for Investments' issued by the Treasurer of Western Australia.

For more information on our investment objectives, strategy and performance, please visit gesb.wa.gov.au/investment.

External investment managers

Under the direction of our Investment team, we appoint a diverse group of external investment managers. The investment managers engaged as at 30 June 2019 are listed below.

| | |
|---|--|
| Aberdeen Standard Investments | Morgan Stanley Investment Management (Australia) Pty Limited |
| Allan Gray Australia Pty Ltd | Morrison & Co |
| AMP Capital Investors Ltd | PATRIZIA Property Investment Managers LLP |
| Bain Capital Credit LP | Pendal Institutional Limited |
| BlackRock Investment Management (Australia) Limited | Perpetual Investment Management Limited |
| BNP Paribas Asset Management USA Inc. | PIMCO Australia Pty Ltd |
| C Worldwide Asset Management | QIC Limited |
| Causeway Capital Management LLC | RARE Infrastructure Limited |
| Colonial First State Global Asset Management | Resolution Capital Limited |
| Copper Rock Capital Partners LLC | Schroder Investment Management Limited |
| GPT Funds Management Limited | Solaris Investment Management Limited |
| Investec Asset Management Australia Pty Ltd | Spheria Asset Management Pty Ltd |
| Kapstream Capital Pty Ltd | StepStone Group LP |
| Lendlease Investment Management (Australia) Pty Limited | Tribeca Investment Partners Pty Ltd |
| Macquarie Investment Management Limited | Wellington Management Company LLP |
| Mesirow Financial Investment Management Inc. | Western Australian Treasury Corporation |

Derivatives

We don't manage derivatives directly, but our investment managers are allowed to use derivatives within the limits of their mandates and the 'Prudential Guidelines for Investments' issued by the Treasurer of Western Australia.

Fund assets exceeding 5%

There were no fund assets that represented more than 5% of the investment portfolio as at 30 June 2019.

Strategic Asset Allocation

Strategic Asset Allocation (SAA) of Readymade plans as at 30 June 2019.

| | GESB Super (including Retirement Access) | | West State Super | | RI Allocated Pension, Transition to Retirement Pension, and RI Term Allocated Pension | |
|--------------------------|---|-----------------|----------------------------|-----------------|--|-----------------|
| | Target allocation | Allowable range | Target allocation | Allowable range | Target allocation | Allowable range |
| CASH | | | | | | |
| Cash | 100% | N/A | 100% | N/A | 100% | N/A |
| CONSERVATIVE | | | | | | |
| Cash | 32% | 12% - 52% | 36% | 16% - 56% | 36% | 16% - 56% |
| Investment Grade Bonds | 23% | 11% - 35% | 24% | 12% - 36% | 24% | 12% - 36% |
| Australian Shares | 14.5% | 8% - 20% | 9.5% | 3% - 15% | 10.5% | 4% - 16% |
| International Shares | 13.5% | 7% - 19% | 11.5% | 5% - 17% | 10.5% | 4% - 16% |
| Private Equity | 1% | 0% - 5% | 1% | 0% - 5% | 1% | 0% - 5% |
| Property | 4% | 0% - 10% | 6% | 0% - 12% | 6% | 0% - 12% |
| Defensive Alternatives | 8% | 0% - 20% | 8% | 0% - 20% | 8% | 0% - 20% |
| Infrastructure | 2% | 0% - 5% | 2% | 0% - 5% | 2% | 0% - 5% |
| Medium Risk Alternatives | 2% | 0% - 8% | 2% | 0% - 8% | 2% | 0% - 8% |
| BALANCED | | | | | | |
| | | | MY WEST STATE SUPER | | BALANCED | |
| Cash | 10% | 0% - 40% | 5% | 0% - 35% | 5% | 0% - 35% |
| Investment Grade Bonds | 18% | 6% - 30% | 22% | 10% - 34% | 22% | 10% - 34% |
| Australian Shares | 24% | 11% - 35% | 17% | 4% - 28% | 22% | 9% - 33% |
| International Shares | 24% | 11% - 35% | 31% | 18% - 42% | 26% | 13% - 37% |
| Private Equity | 2% | 0% - 8% | 2% | 0% - 8% | 2% | 0% - 8% |
| Property | 7% | 1% - 13% | 7% | 1% - 13% | 7% | 1% - 13% |
| Defensive Alternatives | 7% | 0% - 19% | 8% | 0% - 20% | 8% | 0% - 20% |
| Infrastructure | 2% | 0% - 5% | 2% | 0% - 5% | 2% | 0% - 5% |
| Medium Risk Alternatives | 6% | 0% - 18% | 6% | 0% - 18% | 6% | 0% - 18% |
| MY GESB SUPER | | | | | | |
| Cash | 5% | 0% - 35% | - | - | - | - |
| Investment Grade Bonds | 14% | 2% - 26% | - | - | - | - |
| Australian Shares | 27% | 14% - 38% | - | - | - | - |
| International Shares | 26% | 13% - 37% | - | - | - | - |
| Private Equity | 4% | 0% - 10% | - | - | - | - |
| Property | 8% | 2% - 14% | - | - | - | - |
| Defensive Alternatives | 6% | 0% - 18% | - | - | - | - |
| Infrastructure | 2% | 0% - 5% | - | - | - | - |
| Medium Risk Alternatives | 8% | 0% - 20% | - | - | - | - |
| GROWTH | | | | | | |
| Cash | 4% | 0% - 34% | 4% | 0% - 34% | 4% | 0% - 34% |
| Investment Grade Bonds | 4% | 0% - 16% | 10% | 0% - 22% | 10% | 0% - 22% |
| Australian Shares | 33% | 20% - 44% | 25% | 12% - 36% | 28% | 15% - 39% |
| International Shares | 33% | 20% - 44% | 31% | 18% - 42% | 28% | 15% - 39% |
| Private Equity | 4% | 0% - 11% | 4% | 0% - 11% | 4% | 0% - 11% |
| Property | 8% | 2% - 14% | 8% | 2% - 14% | 8% | 2% - 14% |
| Defensive Alternatives | 2% | 0% - 14% | 6% | 0% - 18% | 6% | 0% - 18% |
| Infrastructure | 2% | 0% - 5% | 2% | 0% - 5% | 2% | 0% - 5% |
| Medium Risk Alternatives | 10% | 0% - 22% | 10% | 0% - 22% | 10% | 0% - 22% |

Notes

- The Strategic Asset Allocation (SAA) and other information in this table is current as at 30 June 2019. The target allocations and allowable ranges may be subject to change during your membership. We may alter the SAA or the composition of individual asset classes from time to time, without prior notice. The current SAA was approved on 28 August 2018.
- The cost of managing different investments varies, so the Indirect Cost Ratio (ICR) is different for each investment plan. For example, investment costs for the Cash plan or Conservative plan are lower than those for the Growth plan, as growth assets are typically more complex and expensive to manage. For more information, please refer to the 'Indirect Cost Ratio' section on page 4.

Fees

The fees for our schemes for the 2018/19 financial year are listed below. Please note, we no longer charge service fees for transactions, such as Family Law splitting and full or partial withdrawals, effective 15 December 2018. Any service fee charged to you during the 2018/19 financial year will still appear in your June 2019 member statement and transaction history in Member Online. For more information, please visit gesb.wa.gov.au/servicefees.

GESB Super

The following fees applied to your GESB Super account:

- Account keeping fee - \$5.50 per month
- Administration fee - 0.20% p.a. of your monthly account balance
- Indirect Cost Ratio - please see the table below

West State Super

The following fees applied to your West State Super account:

- Account keeping fee - \$5.50 per month
- Administration fee - 0.04% p.a. of your monthly account balance
- Indirect Cost Ratio - please see the table below

Transition to Retirement Pension, RI Allocated Pension, and RI Term Allocated Pension

Your account has one administration fee, which is included in the Indirect Cost Ratio (see the table below).

This cost is not charged to you as a fee, but is deducted from investment returns before earnings are applied to your account. It covers the administration and investment costs related to managing the investments in the investment plan you have chosen.

As at 30 June 2019, the administration fee for Transition to Retirement Pension and RI Allocated Pension was 0.12%, and for RI Term Allocated Pension it was 0.28%. The remainder of the fee relates to the ICR.

Indirect Cost Ratios

Indirect Cost Ratios (ICRs) are actual historical figures and don't represent future ICRs. The ICR is an annual percentage fee that covers the cost of managing our investments. It includes a proportion allocated to risk reserves, and any performance fees paid to our external investment managers.

We review and adjust the ICR periodically to take into account prevailing investment expenses. The actual ICR can only be determined at the end of the financial year. The ICR is shown as a percentage of the value of the funds each year, and is deducted before the unit price is calculated.

| Investment plan | Indirect Cost Ratio 2018/19 - % of the value of the funds | | | | |
|------------------------|---|------------------|----------------------|----------------------------------|---------------------------|
| | GESB Super | West State Super | RI Allocated Pension | Transition to Retirement Pension | RI Term Allocated Pension |
| READYMADE PLANS | | | | | |
| Growth | 0.76 | 0.74 | 0.86 | 0.87 | 1.03 |
| Balanced | 0.59 | - | 0.71 | 0.72 | 0.88 |
| Conservative | 0.38 | 0.36 | 0.48 | 0.49 | 0.64 |
| My GESB Super | 0.70 | - | - | - | - |
| My West State Super | - | 0.59 | - | - | - |
| Cash | 0.06 | 0.06 | 0.18 | 0.18 | 0.34 |
| MIX YOUR PLAN | | | | | |
| Australian Shares | 0.52 | 0.52 | 0.64 | 0.64 | 0.80 |
| International Shares | 0.37 | 0.37 | 0.49 | 0.49 | 0.65 |
| Property | 0.52 | 0.52 | 0.64 | 0.64 | 0.80 |
| Fixed Interest | 0.23 | 0.23 | 0.35 | 0.35 | 0.51 |
| Cash | 0.06 | 0.06 | 0.18 | 0.18 | 0.34 |

For more information on fees and costs, please refer to the relevant schedule of fees at gesb.wa.gov.au/brochures or call your Member Services Centre on 13 43 72.

Superannuation Contributions Surcharge

The Superannuation Contributions Surcharge is an additional tax on an individual for certain contributions made to a super fund after 20 August 1996 and before 1 July 2005.

If you are a member of a constitutionally protected fund, such as West State Super, Gold State Super or WA Public Sector Pension Scheme, you are not required to pay any surcharge liability until you have left the fund or start receiving a pension. This means you may have a future obligation under the surcharge legislation. It generally affects members who earn higher incomes. For more information about how this may affect your super and the payment options available, please visit gesb.wa.gov.au/contributionssurcharge.

Our Board

Our Board comprises an independent Chair, three Employer Directors appointed by the Governor of Western Australia, and three Member Directors appointed through elections conducted by UnionsWA.

For this reporting period, our Responsible Minister was the Hon. Benjamin (Sana) Wyatt MLA, Treasurer; Minister for Finance; Energy; Aboriginal Affairs.

The Chair and the Employer Directors are appointed for a term not exceeding five years, and Member Directors are appointed for a term not exceeding three years. The Directors are eligible for re-appointment or re-election at the end of their term.

Our Board between 1 July 2018 and 30 June 2019

- Mr John Langoulant - Chair
- Ms Philippa Clarke - Member Director (ceased 4 July 2018)
- Mr Scott Ellis - Employer Director
- Ms Anne Gisborne - Member Director
- Mr Bruce Hawkins - Member Director (commenced 4 July 2018)
- Ms Naomi McCrae - Member Director (commenced 31 August 2018)
- Ms Catherine Nance - Employer Director
- Mr Frank Sciarrone - Employer Director
- Mr Glen Townsing - Member Director (ceased 3 July 2018)

Indemnity insurance

Our Board has indemnity insurance, and directors' and officers' liability insurance.

Financials⁴

Statement of financial position as at 30 June 2019

| | 2019 \$'000 | 2018 \$'000 |
|---|-------------------|-------------------|
| Investment assets ⁵ | 30,006,765 | 27,476,617 |
| Other assets | 4,511,209 | 4,344,298 |
| Total assets | 34,517,974 | 31,820,915 |
| Total liabilities excluding member benefits | (1,535,555) | (669,984) |
| Net assets available for member benefits | 32,982,419 | 31,150,931 |
| Member benefits | | |
| Total member benefits | (32,022,859) | (30,337,829) |
| NET ASSETS | 959,560 | 813,102 |

⁴ This is an extract from our audited financial statements. The Auditor General's opinion will be available no later than 30 October 2019 in our Annual Report at gesb.wa.gov.au/annualreports or by calling 13 43 72.

⁵ Investment assets can include Cash and Cash equivalents, Derivative assets and liabilities, Term deposits, Equities, Shares, Properties, and Bonds.

Statement of net assets available for members for the year ended 30 June 2019
(incorporating a reconciliation to the statement of financial position)

| | 2019 \$'000 | 2018 \$'000 |
|--|------------------------|------------------------|
| Pension Scheme | 97,706 | 96,210 |
| Gold State Super | 2,825,611 | 2,822,337 |
| West State Super | 16,392,851 | 15,317,122 |
| GESB Super | 4,605,829 | 3,968,721 |
| Retirement Income Pension | 5,327,055 | 4,805,325 |
| Term Allocated Pension | 18,257 | 18,978 |
| Reserves | 236,731 | 219,854 |
| WATC loan | (114,870) | (168,504) |
| Net assets available for member benefits at the end of the year | 29,389,170 | 27,080,043 |

| | | |
|--|-------------------|-------------------|
| Adjustments | | |
| Employer-sponsor receivables: | | |
| Pension Scheme | 1,374,487 | 1,488,985 |
| Gold State Super | 2,103,892 | 2,413,399 |
| WATC loan recoverable from State | 114,870 | 168,504 |
| NET ASSETS AVAILABLE FOR MEMBER BENEFITS AS PER STATEMENT OF FINANCIAL POSITION | 32,982,419 | 31,150,931 |

Income statement for the year ended 30 June 2019

| | 2019 \$'000 | 2018 \$'000 |
|--|------------------------|------------------------|
| Income | | |
| Investment revenue | 2,083,268 | 2,121,564 |
| Changes in loans measured at fair value | 4,093 | 7,400 |
| Other income | 7,446 | 7,613 |
| Total income | 2,094,807 | 2,136,577 |
| Administration expenses | (37,964) | (37,807) |
| Investment expenses | (63,266) | (94,630) |
| Other expenses | (9,515) | (12,937) |
| Total expenses | (110,745) | (145,374) |
| Net result from operating activities | 1,984,062 | 1,991,203 |
| Net benefits allocated to defined contribution member accounts | (2,124,822) | (2,102,341) |
| Net change in defined benefit member liabilities | 764,831 | 683,765 |
| Net result before income tax | 624,071 | 572,627 |
| Income tax expense | 8,694 | 15,690 |
| NET RESULT AFTER INCOME TAX | 615,377 | 556,937 |

Statement of changes in member benefits for the year ended 30 June 2019

| | 2019 \$'000 | 2018 \$'000 |
|---|-------------------|-------------------|
| Opening balance at the beginning of the financial year | 30,337,829 | 28,584,237 |
| Net after tax contributions | 2,413,924 | 2,439,642 |
| Benefits to members/beneficiaries | (2,030,029) | (2,041,920) |
| Net insurance charged to member accounts | (50,136) | (57,336) |
| Net change/benefits allocated to member accounts | 1,351,271 | 1,413,206 |
| CLOSING BALANCE AT THE END OF THE FINANCIAL YEAR | 32,022,859 | 30,337,829 |

Movement in reserves for the year ended 30 June 2019

| | West State Super government guaranteed payment reserve \$'000 | Operational risk reserve \$'000 | Accumulation general reserve \$'000 | Total reserves \$'000 |
|--------------------------------|---|---------------------------------------|---|-----------------------------|
| Balance at 1 July 2016 | 46,326 | 87,222 | 63,825 | 197,373 |
| Utilisation of reserve | (1,407) | - | (4,038) | (5,445) |
| Contribution to reserve | - | - | 13,176 | 13,176 |
| Investment performance | 1,051 | 2,004 | 1,516 | 4,571 |
| Balance at 30 June 2017 | 45,970 | 89,226 | 74,479 | 209,675 |
| Balance at 1 July 2017 | 45,970 | 89,226 | 74,479 | 209,675 |
| Utilisation of reserve | (2,011) | - | (114) | (2,125) |
| Contribution to reserve | - | 3,000 | 7,495 | 10,495 |
| Investment performance | 397 | 753 | 659 | 1,809 |
| Balance at 30 June 2018 | 44,356 | 92,979 | 82,519 | 219,854 |
| Balance at 1 July 2018 | 44,356 | 92,979 | 82,519 | 219,854 |
| Utilisation of reserve | (1,275) | - | - | (1,275) |
| Contribution to reserve | - | 3,000 | 9,995 | 12,995 |
| Transfer between reserve | 542 | 35,207 | (35,749) | - |
| Investment performance | 996 | 2,545 | 1,616 | 5,157 |
| BALANCE AT 30 JUNE 2019 | 44,619 | 133,731 | 58,381 | 236,731 |

Notes

- Each reserve must be debited with any costs incurred in relation to that reserve and credited with specified fees, investment return allocation and/or depreciation relating to that reserve. By following this operational instruction, reserves are kept separate to other money and assets.
- On 31 January 2017, the Treasurer approved guidelines which merged the 'minimum benefit guarantee reserve' and 'insurance reserve', creating the 'WSS government guaranteed payment reserve'. The table above retrospectively merges these reserves as required.

More information

Available on request

For more information on our investment performance, financial position, policy committees and the management of your funds, please see our Annual Report. Our Annual Report will be available no later than 30 October 2019 at gesb.wa.gov.au/annualreports, or you can call us on 13 43 72 for a copy. If you would like a hard copy of this Annual Fund Update, please call 13 43 72, and we will arrange this at no cost to you.

You can find more information, such as extracts from actuarial reports, fund and product information, our auditor's report and Freedom of Information Statement, at gesb.wa.gov.au. If you need help finding the information you need, please call us on 13 43 72.

Enquiries and complaints

If you have an enquiry or complaint, please call us on 13 43 72. For information on our complaints process, please visit gesb.wa.gov.au/brochures and download our **'Resolving your complaint'** brochure.

If you are not satisfied with the outcome of your complaint, you can ask for an independent internal review. If you are still not satisfied after our review, or if your complaint has not been resolved by our internal complaints team within 90 days, you can lodge a complaint with the Australian Financial Complaints Authority (AFCA). AFCA is an external dispute resolution body, established by the Commonwealth Government. You can contact AFCA by phone on 1800 931 678 (free call), visit their website at afca.org.au, or write to GPO Box 3, Melbourne VIC 3001.

We are responsible for managing the GES Fund and administering the GESB Super, West State Super, Gold State Super, Transition to Retirement Pension, RI Allocated Pension, and RI Term Allocated Pension schemes.

Disclaimer: the information contained in this Annual Fund Update is of a general nature, and does not constitute legal, taxation or personal financial advice. In providing this information, we have not taken into account your investment objectives, financial situation or needs. We are not licensed to provide financial product advice. Before acting or relying on any of the information in this Annual Fund Update, you should read this document in conjunction with the relevant Product Information Booklet and disclosure documents at gesb.wa.gov.au/brochures, and consider whether the information is appropriate for you. You may also wish to consult a suitably qualified adviser to assist you.

How to contact us

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