

This Annual Fund Update provides information about your super fund during the 2017/18 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 2018 (%)

	GESB Super ¹			West State Super ²			Transition to Retirement Pension ¹
	1YR	5YRS	10YRS	1YR	5YRS	10YRS	1YR
READYMADE PLANS							
Growth	9.64	9.27	6.67	9.45	9.43	7.11	8.58
Balanced	7.52	7.51	6.42	-	-	-	7.26
My GESB Super	8.26	8.32	6.47	-	-	-	-
My West State Super	-	-	-	8.15	8.40	7.11	-
Conservative	5.15	5.58	5.36	4.97	5.57	5.70	4.33
Cash	1.77	2.13	2.93	2.07	2.56	3.45	1.57
MIX YOUR PLAN							
Australian Shares	13.56	9.88	6.95	14.23	9.88	6.75	13.36
International Shares	12.46	11.24	6.78	13.74	12.84	7.66	11.93
Property	6.99	8.34	5.47	8.01	9.33	6.49	6.34
Fixed Interest	2.12	3.12	5.38	2.52	3.63	6.21	1.90
Cash	1.77	2.13	2.93	2.07	2.56	3.45	1.57

	RI Allocated Pension ³			RI Term Allocated Pension ³		
	1YR	5YRS	10YRS	1YR	5YRS	10YRS
READYMADE PLANS						
Growth	9.56	9.51	7.26	9.07	9.02	6.88
Balanced	8.17	8.31	7.11	7.68	7.84	6.76
Conservative	4.90	5.52	5.62	4.38	5.08	5.29
Cash	1.87	2.33	3.15	1.33	1.85	2.76
MY PLAN						
Australian Shares	15.24	10.80	7.76	14.76	10.31	7.34
International Shares	13.62	12.63	7.39	13.04	12.14	7.01
Property	7.83	9.12	6.24	7.21	8.64	5.86
Fixed Interest	2.31	3.40	5.92	1.80	2.95	5.54
Cash	1.87	2.33	3.15	1.33	1.85	2.76

Note

- a 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) and applicable taxes. Transition to Retirement Pension was accepted on 15 June 2017, so longer term returns are not available.
- 2 West State Super: all returns are reported net of ICR. 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 and inclusive of franking credits.

Our Board's investment strategy

Our investment strategies aim to achieve appropriate levels of return over the medium to long term, depending on the scheme and investment plan. If you're a GESB Super, West State Super or Retirement Income 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 supervision of our Investment team, we appoint a diverse group of external investment managers. The investment managers engaged as at 30 June 2018 are shown below.

Allan Gray Australia Pty Ltd	Macquarie Investment Management Limited
AMP Capital Investors Ltd	Mesirow Financial Investment Management, Inc.
Bain Capital Credit, LP	Morgan Stanley Investment Management (Australia) Pty 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
Franklin Templeton Investments Australia Limited	Solaris Investment Management Limited
Genesis Investment Management	StepStone Group, LP
Hastings Fund Management Limited	Tribeca Investment Partners Pty Ltd
JCP Investment Partners Ltd	Wellington Management Company, LLP
Kapstream Capital Pty Ltd	Western Australian Treasury Corporation
Kinetic Investment Partners	

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 2018.

Strategic Asset Allocation

Strategic Asset Allocation (SAA) of Readymade plans as at 30 June 2018.

	GESB Super (including Retirement Access)		West State Super		Transition to Retirement Pension, RI Allocated 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%	8% - 20%	9%	3% - 15%	10%	4% - 16%
International Shares	13%	7% - 19%	11%	5% - 17%	10%	4% - 16%
Private Equity	2%	0% - 5%	2%	0% - 5%	2%	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	23%	11% - 35%	16%	4% - 28%	21%	9% - 33%
International Shares	23%	11% - 35%	30%	18% - 42%	25%	13% - 37%
Private Equity	4%	0% - 8%	4%	0% - 8%	4%	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	26%	14% - 38%	-	-	-	-
International Shares	25%	13% - 37%	-	-	-	-
Private Equity	6%	2% - 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	32%	20% - 44%	24%	12% - 36%	27%	15% - 39%
International Shares	32%	20% - 44%	30%	18% - 42%	27%	15% - 39%
Private Equity	6%	1% - 11%	6%	1% - 11%	6%	1% - 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

- a The Strategic Asset Allocation (SAA) and other information in this table is current as at 30 June 2018. 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 5 December 2017.
- b 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 2017/18 financial year are listed below. We also charge service fees for some optional services and certain transactions, such as Family Law splitting, and full and partial withdrawals.

GESB Super

The following fees applied to your GESB Super account:

- Account keeping fee - \$5.50 per month
- Administration fee - 0.28% 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 - 0.06% 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.

For the 2017/18 financial year, the administration fee for Transition to Retirement Pension and RI Allocated Pension was 0.20%, and for RI Term Allocated Pension it was 0.70%. 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 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.

Indirect Cost Ratio 2017/18 - % of the value of the funds

Investment plan	Indirect Cost Ratio 2017/18 - % of the value of the funds			
	GESB Super	West State Super	Transition to Retirement Pension and RI Allocated Pension	RI Term Allocated Pension
READYMADE PLANS				
Growth	0.75	0.73	0.93	1.44
Balanced	0.59	-	0.80	1.30
Conservative	0.38	0.36	0.57	1.07
My GESB Super	0.70	-	-	-
My West State Super	-	0.60	-	-
Cash	0.06	0.06	0.26	0.76
MIX YOUR PLAN				
Australian Shares	0.51	0.51	0.71	1.21
International Shares	0.49	0.49	0.69	1.19
Property	0.56	0.56	0.76	1.26
Fixed Interest	0.27	0.27	0.47	0.97
Cash	0.06	0.06	0.26	0.76

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/contributionsurcharge.

Our Board

Our Board comprises an independent Chairman, 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 Chairman 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 as at 30 June 2018

- Mr John Langoulant - Chairman
- Ms Catherine Nance - Employer Director
- Mr Scott Ellis - Employer Director
- Mr Frank Sciarrone - Employer Director
- Mr Glen Townsing - Member Director
- Ms Philippa Clarke - Member Director
- Ms Anne Gisborne - Member Director

Indemnity insurance

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

Financials⁴

Statement of financial position as at 30 June 2018

	2018 \$'000	2017 \$'000
Investment assets ⁵	27,476,617	25,032,574
Other assets	4,344,298	4,865,490
Total assets	31,820,915	29,898,064
Total liabilities excluding member benefits	(669,984)	(640,819)
Net assets available for member benefits	31,150,931	29,257,245
Member benefits		
Total member benefits	(30,337,829)	(28,584,237)
NET ASSETS	813,102	673,008

⁴ This is an extract from our audited financial statements. The Auditor General's opinion will be available no later than 30 October 2018 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 2018
(incorporating a reconciliation to the statement of financial position)**

	2018 \$'000	2017 \$'000
WA Public Sector Pension Scheme	96,210	94,345
Gold State Super	2,822,337	2,781,198
West State Super	15,317,122	14,220,045
GESB Super	3,968,721	3,363,693
Transition to Retirement Pension and RI Allocated Pension	4,805,325	4,297,419
RI Term Allocated Pension	18,978	19,995
Reserves	219,854	209,675
WATC loan	(168,504)	(222,226)
Net assets available for member benefits at the end of the year	27,080,043	24,764,144
Adjustments		
Employer-sponsor receivables:		
WA Public Sector Pension Scheme	1,488,985	1,592,477
Gold State Super	2,413,399	2,678,398
WATC loan recoverable from State	168,504	222,226
NET ASSETS AVAILABLE FOR MEMBER BENEFITS AS PER STATEMENT OF FINANCIAL POSITION	31,150,931	29,257,245

Income statement for the year ended 30 June 2018

	2018 \$'000	2017 \$'000
Income		
Investment revenue	2,121,564	2,021,668
Changes in loans measured at fair value	7,400	9,701
Other income	7,613	10,275
Total income	2,136,577	2,041,644
Administration expenses	(37,807)	(43,276)
Investment expenses	(94,630)	(67,813)
Other expenses	(12,937)	(16,373)
Total expenses	(145,374)	(127,462)
Net result from operating activities	1,991,203	1,914,182
Net benefits allocated to defined contribution member accounts	(2,102,341)	(1,986,123)
Net change in defined benefit member liabilities	683,765	301,134
Net result before income tax	572,627	229,193
Income tax expense	15,690	10,182
NET RESULT AFTER INCOME TAX	556,937	219,011

Statement of changes in member benefits for the year ended 30 June 2018

	2018 \$'000	2017 \$'000
Opening balance at the beginning of the financial year	28,584,237	26,225,458
Net after tax contributions	2,439,642	2,685,473
Benefits to members/beneficiaries	(2,041,920)	(1,949,117)
Net insurance charged to member accounts	(57,336)	(54,835)
Net change/benefits allocated to member accounts	1,413,206	1,677,258
CLOSING BALANCE AT THE END OF THE FINANCIAL YEAR	30,337,829	28,584,237

Movement in reserves for the year ended 30 June 2018

	West State Super government guaranteed payment reserve \$'000	Operational risk reserve \$'000	Accumulation general reserve \$'000	Total reserves \$'000
Balance at 1 July 2015	48,382	85,212	53,724	187,318
Utilisation of reserve	(3,169)	-	(1,581)	(4,750)
Contribution to reserve	-	-	3,014	3,014
Accumulation schemes surplus	-	-	7,290	7,290
Investment performance	1,113	2,010	1,378	4,501
Balance at 30 June 2016	46,326	87,222	63,825	197,373
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	-	-	3,293	3,293
Accumulation schemes surplus	-	-	9,883	9,883
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	3,696	6,696
Accumulation schemes surplus	-	-	3,799	3,799
Investment performance	397	753	659	1,809
BALANCE AT 30 JUNE 2018	44,356	92,979	82,519	219,854

Notes

- a 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.
- b 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 2018 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 to download our '**Resolving your complaint**' brochure. If you are not satisfied with the outcome of your complaint, you may request an independent internal review, or you can contact the Superannuation Complaints Tribunal (SCT) on 1300 884 114. The SCT is an independent body set up by the Commonwealth Government to help members and beneficiaries resolve certain complaints with fund trustees, managers and administrators.

From 1 November 2018, the Australian Financial Complaints Authority (AFCA) will replace the SCT and handle all new super complaints. For more information, please visit gesb.wa.gov.au/budget2017.

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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