GOVERNMENT OF WESTERN AUSTRALIA

Annual Fund Update

Issue Date: June 2015

GESB SUPERANNUATION

This update provides information about your super fund during the 2014/15 financial year. You can find further information at gesb.com.au or from your Member Services Centre on 13 43 72.

Investment information

Net investment plan performance ending 30 June 2015 (%)

	GESB Super[1]			West State Super[2]		
	1YR	5YRS	Since Inception	1YR	5YRS	10YRS
READYMADE PLANS						
Cash	2.44	3.38	3.62	2.88	3.93	4.66
Conservative	6.17	7.20	4.86	6.18	7.40	6.12
Balanced	7.52	8.98	4.92	9.39	10.31	7.17
Balanced Growth	9.54	9.68	4.62	-	-	-
Growth	10.29	10.49	4.19	10.62	11.02	7.14
MY PLAN						
Fixed Interest	2.97	5.48	6.01	3.56	6.40	6.39
Property	7.77	12.65	-0.08	9.73	14.29	4.54
Australian Shares	5.50	9.13	3.74	4.93	8.88	7.40
International Shares	15.11	13.26	3.71	17.58	14.99	6.91

	Retirement Income Allocated Pension[3]			Retirement Income Term Allocated Pension[3]			
	1YR	5YRS	10YRS	1YR	5YRS	10YRS	Since Inception
READYMADE PLANS							
Cash	2.62	3.64	4.20	2.21	3.27	-	3.96
Conservative	5.99	7.29	5.93	5.63	6.91	5.72	5.84
Balanced	8.93	10.06	7.15	8.55	9.68	6.94	7.07
Growth	10.49	11.01	7.21	10.13	10.57	-	6.46
MY PLAN							
Fixed Interest	3.34	6.14	5.94	2.92	5.77	-	5.80
Property	9.54	14.07	4.10	9.10	13.74	-	2.97
Australian Shares	5.94	9.92	8.29	5.51	9.50	-	6.66
International Shares	17.39	14.73	6.21	16.91	14.35	-	4.81

Note

1. Past performance is not a reliable indicator of future performance. Investment returns for different time periods are available at gesb.com.au or by calling 13 43 72. Any returns greater than one year are annualised.

Footnotes

1. GESB Super - All returns are reported net of Indirect Cost Ratio (ICR) and applicable taxes. Inception dates for GESB Super Readymade plans: Balanced Growth 20 April 2007, Growth 23 April 2007, Balanced and Cash 31 May 2007, and Conservative 26 June 2007. Inception dates for GESB Super MY plans: Australian Shares, International Shares, Property and Fixed Interest 22 May 2007; Cash 31 May 2007.
2. West State Super - All returns are reported net of ICR. Care should be taken when comparing investment performance of West State Super and other super funds. GESB does not pay tax on the investment earnings of the fund due to the untaxed status of the fund. Inception date for all West State Super Readymade plans: 1 July 2001. Inception date for West State Super MY plan: 1 July 2001.
3. Retirement Income Allocated and Term Allocated Pension - All returns are reported net of ICR and inclusive of franking credits. Inception dates for Retirement Income Allocated Pension Readymade plans: Conservative 4 April 2003; Cash, Balanced and Growth 7 April 2003. Inception dates for Retirement Income Allocated Pension MY plan: Cash 7 April 2003; Fixed Interest, International Shares, Australian Shares and Property 13 July 2005. Inception dates for Retirement Income Term Allocated Pension Readymade plans: Balanced 21 January 2005, Conservative 18 May 2005, Cash 22 July 2005, and Growth 8 November 2005. Inception dates for Retirement Income Term Allocated Pension MY plan: Cash 22 July 2005; Fixed Interest, Property, International Shares and Australian Shares 16 February 2006.

The investment strategy of the Board

GESB pursues investment strategies that aim to achieve appropriate levels of return over the medium to long term, depending on the scheme or investment plan strategy. Members of West State Super, GESB Super and Retirement Income can choose their own investment plan. The investment strategies within these schemes reflect varying degrees of expected risk and return. The Board has adopted multiple investment strategies within these schemes to offer low, medium and high risk investment strategies to suit the needs of members. GESB's investment practice adheres to the Prudential Guidelines for Investments issued by the Treasurer of Western Australia.

External investment managers

On recommendation of its asset consultant, GESB employs a diversified group of external investment managers. The investment managers engaged as at 30 June 2015 are listed below.

Aberdeen Investment Management Australia Ltd	Kapstream Capital
Allan Gray Australia Pty Ltd	Kinetic Investment Partners Pty Ltd
AMP Capital Investors Ltd	Lazard Asset Management Pacific Co.
Arnhem Investment Management	Macquarie Investment Management Ltd
CBRE Clarion Real Estate Securities, LLC	Pacific Investment Management Company (PIMCO)
CenterSquare Investment Management, Inc.	Perennial Value Management Ltd
Colonial First State Asset Management (Australia) Limited	Principal Global Investors (Australia) Limited
Copper Rock Capital Partners LLC	QIC Limited
Edinburgh Partners Limited	Sarasin & Partners LLP
FIL Investment Management (Australia) Limited	Schroder Investment Management Limited
Franklin Templeton Investments Australia Limited	Tribeca Investment Partners Pty Ltd
Genesis Investment Management, LLP	Wellington Management Company, LLP
Grantham, Mayo, Van Otterloo & Co. LLC	Western Australian Treasury Corporation
JCP Investment Partners Ltd	

Derivatives

GESB does not manage derivatives directly, but rather through its fund managers. Fund managers are permitted to use derivatives within the restrictions of their mandates and the Treasurer's Prudential Guidelines for Investments. All of GESB's fund managers, who use derivatives, are required to provide a Derivative Risk Statement or equivalent statement covering derivative usage.

Fund assets exceeding 5%

There were no fund assets that represented more than 5% of the investment portfolios as at 30 June 2015.

Strategic Asset Allocation

Strategic Asset Allocation of Readymade plans as at 30 June 2015

	GESB Super (including Retirement Access)		West State Super		Retirement Income Allocated Pension and 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[1]	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[2]	8%	0% - 20%	8%	0% - 20%	8%	0% - 20%
Infrastructure	2%	0% - 5%	2%	0% - 5%	2%	0% - 5%
Medium Risk Alternatives[3]	2%	0% - 8%	2%	0% - 8%	2%	0% - 8%
BALANCED						
Cash	10%	0% - 40%	5%	0% - 35%	5%	0% - 35%
Investment Grade Bonds[1]	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[2]	7%	0% - 19%	8%	0% - 20%	8%	0% - 20%
Infrastructure	2%	0% - 5%	2%	0% - 5%	2%	0% - 5%
Medium Risk Alternatives[3]	6%	0% - 18%	6%	0% - 18%	6%	0% - 18%
BALANCED GROWTH						
Cash	5%	0% - 35%	-	-	-	-
Investment Grade Bonds[1]	14%	2% - 26%				
Australian Shares	26%	14% - 38%	-	-	-	-
International Shares	25%	13% - 37%				
Private Equity	6%	2% - 10%	-	-	-	-
Property	8%	2% - 14%	-	-	-	-
Defensive Alternatives[2]	6%	0% - 18%	-	-	-	-
Infrastructure	2%	0% - 5%	-	-	-	-
Medium Risk Alternatives[3]	8%	0% - 20%	-	-	-	-
GROWTH						
Cash	4%	0% - 34%	4%	0% - 34%	4%	0% - 34%
Investment Grade Bonds[1]	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]	2%	0% - 14%	6%	0% - 18%	6%	0% - 18%
Infrastructure	2%	0% - 5%	2%	0% - 5%	2%	0% - 5%
Medium Risk Alternatives[3]	10%	0% - 22%	10%	0% - 22%	10%	0% - 22%

Notes

1. The Strategic Asset Allocation and other information provided is current as at 30 June 2015. The target allocations and allowable ranges may be subject to change during your membership. GESB may alter the Strategic Asset Allocation or the composition of individual asset classes from time to time, without prior notice. The current Strategic Asset Allocation was approved on 17 June 2015.
2. 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 on ICRs refer to the Fees section on the following page.

Footnotes

1 Previously referred to as Global Government Bonds
2 Previously referred to as Diversified Fixed Interest
3 Previously referred to as Alternatives

Fees

The fees applicable to GESB schemes for the 2014/15 financial year are outlined below.

For more information, see your Member Statement or refer to the relevant schedule of fees document at www.gesb.com.au/brochures

Indirect Cost Ratio (ICR)

ICRs are actual historical figures and do not necessarily represent future ICRs. The ICR is an annual percentage fee which covers the cost of managing GESB's investments including a proportion allocated to risk reserves. It includes any performance fees paid to external investment managers.

As such, the ICR is reviewed periodically and adjusted to take into account prevailing investment expenses. The actual annual ICR can only be determined at the end of the financial year. The ICR is shown on a per annum basis as a percentage of the value of the funds and is deducted before the unit price is calculated.

	Indirect Cost Ratio 2014/15			
	% of the value of the funds			
Investment plan	GESB Super	West State Super	RI - AP	RI - TAP
READYMADE PLANS				
Cash	0.11	0.11	0.36	0.76
Conservative	0.37	0.37	0.57	0.98
Balanced	0.51	0.53	0.70	1.10
Balanced Growth	0.58	-	-	-
Growth	0.59	0.61	0.76	1.16
MY PLAN				
Australian Shares	0.51	0.51	0.67	1.07
International Shares	0.51	0.51	0.67	1.07
Property	0.45	0.45	0.62	1.02
Fixed Interest	0.33	0.33	0.54	0.94
Cash	0.11	0.11	0.36	0.76

West State Super

The following fees were applicable for your West State Super account:

- Account-keeping fee - $5.50 per month
- Administration fee - 0.15% pa pro-rata of your monthly account balance
- Indirect Cost Ratio (see table above)

GESB Super

The following fees were applicable for your GESB Super account:

- Account-keeping fee - $5.50 per month
- Administration fee - 0.15% pa pro-rata of your monthly account balance
- Indirect Cost Ratio (see table above)

Retirement Income Allocated Pension and Term Allocated Pension

The Retirement Income Allocated Pension and Term Allocated Pension has one administration fee, which is included in the Indirect Cost Ratio (ICR).

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 2014/15 financial year, the administration fee for Retirement Income Allocated Pension was 0.30%, and for Retirement Income Term Allocated Pension it was 0.70%. The remainder of the fee relates to the ICR.

Your Board

The Board of GESB comprises an independent Chairman, three Employer Directors appointed by the Governor of Western Australia and three Member Directors appointed via elections conducted by Unions WA.

For this reporting period, GESB's Responsible Minister has been the Hon. Mike Nahan MLA, Treasurer.

The Chairman and the Employer Directors are appointed for a maximum of five years and Member Directors are appointed for a maximum of three years.

Board as at 30 June 2015

- Mr John Langoulant - Chairman
- Mr Matt Farrell - Deputy Chairman and Member Director
- Ms Catherine Nance - Employer Director
- Mr Scott Ellis - Employer Director
- Mr Richard Alder - Employer Director
- Mr Glen Townsing - Member Director
- Mr Robert Lewtas - Member Director (resigned 1 April 2015)
- Philippa Clarke – Member Director (appointed 2 April 2015)

Indemnity insurance

Board Directors are covered by an indemnity insurance policy against possible claims made against them in their capacity as Directors.

Financials[1]

Statement of net assets as at 30 June 2015

	2015 $'000	2014 $'000
Investment assets[2]	21,465,927	18,857,071
Other assets	101,574	144,363
Total assets	21,567,501	19,001,434
Total liabilities	588,841	619,628
NET ASSETS AVAILABLE TO PAY BENEFITS	**20,978,660**	**18,381,806**

Statement of changes in net assets for the year ended 30 June 2015

	2015 $'000	2014 $'000
Net assets available to pay benefits at the beginning of financial year	**18,381,806**	**15,456,360**
Net investment revenue	1,771,105	2,132,347
Superannuation revenue	2,820,115	2,603,962
Other revenue	67,258	65,689
Total revenue	**4,658,478**	**4,801,998**
Superannuation benefit payments	1,752,271	1,589,993
Administration expenses	48,197	47,855
Group life insurance premiums	84,871	69,243
Changes in net market value of other assets	274	6,667
Changes in market value of other liabilities	-3,058	-1,248
Loan interest	21,862	24,501
Total expenditure before income tax	**1,904,417**	**1,737,011**
Income tax expense	-157,207	-139,541
NET ASSETS AVAILABLE TO PAY BENEFITS AT THE END OF FINANCIAL YEAR	**20,978,660**	**18,381,806**

1 This is an extract from the fund's audited financial statement. The Auditor General's opinion will be available from October 2015 in our Annual Report at gesb.com.au or by calling 13 43 72.

2 Investments Assets include Cash and Cash equivalents, Derivative Assets and Derivative Liabilities at year end.

Movement in reserves

	Minimum benefit guarantee reserve $'000	Insurance reserve $'000	Operational risk reserve $'000	Accumulation general reserve $'000	Total reserves $'000
Balance at 30 June 2013	**46,000**	**4,558**	**73,948**	**-**	**124,506**
Balance at 1 July 2013	46,000	4,558	73,948	-	124,506
Utilisation of reserve	-292	-794	-		-1,086
Contribution to reserves	-	-	3,832	12,360	16,192
Accumulation schemes surplus	-	-	2,625	4,646	7,271
Investment performance	1,416	134	2,426	156	4,132
Balance at 30 June 2014	**47,124**	**3,898**	**82,831**	**17,162**	**151,015**
Balance at 1 July 2014	47,124	3,898	82,831	17,162	151,015
Utilisation of reserve	-3,294	-806	-	-695	-4,795
Contribution to reserves	-	-	-	18,642	18,642
Accumulation schemes surplus	-	-	-	17,810	17,810
Investment performance	1,354	106	2,381	805	4,646
Balance at 30 June 2015	**45,184**	**3,198**	**85,212**	**53,724**	**187,318**

Further information

Enquiries and complaints

If you have an enquiry or complaint, visit gesb.com.au/brochures or call 13 43 72 for a copy of our '**Resolving your complaint**' brochure. All complaints are handled according to the procedures outlined in the brochure. If your complaint is not dealt with to your satisfaction you may request an independent internal review of your complaint, or you may proceed directly to the Superannuation Complaints Tribunal (SCT). The SCT is an independent body established by the Commonwealth Government to assist members and beneficiaries to resolve certain types of complaints with fund trustees, managers and administrators. You can contact the SCT from anywhere in Australia on 1300 884 114.

Available on request

More information about GESB's schemes, products and services can be found at gesb.com.au or by calling 13 43 72. Additional information available on request includes extracts from actuarial reports, fund and product information, Annual Reports including audited accounts, Auditor's report and Freedom of Information Statement.

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, GESB has not taken into account your investment objectives, financial situation or needs. GESB is not licensed to provide financial product advice. If you need specific advice for your personal circumstances, you should consult a suitably qualified adviser to ascertain whether the information contained in this Annual fund update is appropriate for you. You should read this document in conjunction with other relevant disclosure documents GESB has prepared, and the Product Information Booklet of the relevant product.

How to contact us

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