

This Annual Fund Update provides information about your super fund during the 2016/17 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 2017 (%)

	GESB Super ¹			West State Super ²		
	1 year	5 years	10 years	1 year	5 years	10 years
READYMADE PLANS						
Growth	10.28	10.74	4.50	10.23	11.03	5.06
Balanced	8.03	8.57	5.00	-	-	-
My GESB Super	8.71	9.59	4.77	-	-	-
My West State Super	-	-	-	8.99	9.75	5.54
Conservative	5.55	6.36	4.70	5.17	6.37	5.16
Cash	1.85	2.44	3.29	2.18	2.89	3.88
MIX YOUR PLAN						
Australian Shares	11.40	11.10	4.35	11.85	11.45	3.96
International Shares	15.14	13.60	4.25	16.94	15.40	4.80
Property	1.89	10.01	1.70	2.54	11.30	1.99
Fixed Interest	0.23	3.28	5.42	0.36	3.93	6.30
Cash	1.85	2.44	3.29	2.18	2.89	3.88

	RI Allocated Pension and Transition to Retirement Pension ³			RI Term Allocated Pension ³		
	1 year	5 years	10 years	1 year	5 years	10 years
READYMADE PLANS						
Growth	10.21	11.10	5.16	9.68	10.63	4.85
Balanced	8.75	9.66	5.53	8.27	9.21	5.21
Conservative	5.05	6.33	5.05	4.61	5.91	4.75
Cash	1.97	2.65	3.52	1.46	2.19	3.20
MIX YOUR PLAN						
Australian Shares	12.72	12.39	4.87	12.14	11.88	4.54
International Shares	16.71	15.17	4.48	16.18	14.69	4.16
Property	2.27	11.08	1.69	1.66	10.63	1.38
Fixed Interest	0.06	3.70	5.95	-0.38	3.27	5.62
Cash	1.97	2.65	3.52	1.46	2.19	3.20

Note

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

Footnotes

- GESB Super: all returns are reported net of the Indirect Cost Ratio (ICR) and applicable taxes.
- West State Super: all returns are reported net of the ICR. Care should be taken when comparing investment performance of West State Super and other super funds. We do not pay tax on the investment earnings of the fund due to the untaxed status of the fund.
- RI Allocated Pension and RI Term Allocated Pension: all returns are reported net of the ICR and inclusive of franking credits. Transition to Retirement Pension was incepted on 15 June 2017, so no returns are available.

The investment strategy of our Board

We pursue investment strategies that aim to achieve appropriate levels of return over the medium to long term, depending on the scheme or investment plan strategy. If you're a member of GESB Super, West State Super, Retirement Income Pension or RI Term Allocated Pension, you can choose your own investment plan.

The investment strategies within these schemes reflect varying degrees of expected risk and return. Our Board has adopted multiple investment strategies to offer low, medium and high-risk investment strategies to suit your needs. We ensure that our investment practice adheres to the Prudential Guidelines for Investments issued by the Treasurer of Western Australia.

External investment managers

Under the supervision of our investments team, we employ a diversified group of external investment managers. The investment managers engaged as at 30 June 2017 are listed below.

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

Derivatives

We don't manage derivatives directly, but rather through our external investment managers. Investment managers are permitted to use derivatives within the restrictions of their mandates and the Treasurer's Prudential Guidelines for Investments. All of our investment managers who use derivatives are required to provide a Derivative Risk Statement or an equivalent statement covering derivative usage.

Fund assets exceeding 5%

There were no fund assets that represented more than 5% of the investment portfolio as at 30 June 2017.

Strategic Asset Allocation

Strategic Asset Allocation of Readymade plans as at 30 June 2017

	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%	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			
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

- The Strategic Asset Allocation and other information provided is current as at 30 June 2017. The target allocations and allowable ranges may be subject to change during your membership. We 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 7 December 2016.
- 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, please refer to the 'Fees' section on page 4.

Fees

The fees applicable to our schemes for the 2016/17 financial year are outlined below. Service fees also apply for our Simple Advice and Retirement Options Services, and for certain transactions such as Family Law splitting, and full and partial withdrawals.

GESB Super

The following fees were applicable for your GESB Super account:

- Account-keeping fee - \$5.50 per month
- Administration fee - 0.28% p.a. pro-rata of your monthly account balance
- Indirect Cost Ratio (see table below)

West State Super

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

- Account-keeping fee - \$5.50 per month
- Administration fee - 0.06% p.a. pro-rata of your monthly account balance
- Indirect Cost Ratio (see table below)

Retirement Income Pension and RI Term Allocated Pension

Retirement Income Pension and RI Term Allocated Pension have one administration fee, which is included in the 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 2016/17 financial year, the administration fee for Retirement Income 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 Ratio

Indirect Cost Ratios (ICRs) are actual historical figures and don't necessarily represent future ICRs. The ICR is an annual percentage fee which covers the cost of managing our 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 2016/17 - % of the value of the funds

Investment plan	Indirect Cost Ratio 2016/17 - % of the value of the funds			
	GESB Super	West State Super	RI Allocated Pension and Transition to Retirement Pension	RI Term Allocated Pension
READYMADE PLANS				
Growth	0.46	0.45	0.65	1.15
Balanced	0.37	-	0.58	1.08
Conservative	0.26	0.24	0.44	0.94
My GESB Super	0.43	-	-	-
My West State Super	-	0.37	-	-
Cash	0.06	0.06	0.26	0.76
MIX YOUR PLAN				
Australian Shares	0.39	0.40	0.60	1.10
International Shares	0.30	0.30	0.50	1.00
Property	0.28	0.28	0.48	0.98
Fixed Interest	0.17	0.17	0.37	0.87
Cash	0.06	0.06	0.26	0.76

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

Our 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, 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 2017

- Mr John Langoulant - Chairman
- Mr Matt Farrell - Deputy Chairman and Member Director (appointment ceased 7 February 2017)
- 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 (appointed 8 February 2017)

Indemnity insurance

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

Financials⁴

Statement of financial position as at 30 June 2017

	2017 \$'000	2016 \$'000
Investment assets ⁵	25,032,574	22,506,570
Other assets	4,865,490	4,859,866
Total assets	29,898,064	27,366,436
Total liabilities excluding member benefits	(640,819)	(532,297)
Net assets available for member benefits	29,257,245	26,834,139
Member benefits		
Total member benefits	(28,584,237)	(26,225,458)
NET ASSETS	673,008	608,681

Income statement for the year ended 30 June 2017

	2017 \$'000	2016 \$'000
Income		
Investment revenue	2,021,668	630,743
Changes in loans measured at fair value	9,701	4,907
Other revenue	10,275	14,734
Total income	2,041,644	650,384
Administration expenses	(43,276)	(43,594)
Investment expenses	(67,813)	(55,129)
Other expenses	(16,373)	(19,335)
Total expenses	(127,462)	(118,058)
Net result from operating activities	1,914,182	532,326
Net benefits allocated to defined contribution member accounts	(1,986,123)	(750,571)
Net change in defined benefit member liabilities	301,134	241,468
Net result before income tax	229,193	23,223
Income tax expense/(benefit)	10,182	(9,614)
NET RESULT AFTER INCOME TAX	219,011	32,837

⁴ This is an extract from our audited financial statement. The Auditor General's opinion will be available from October 2017 in our Annual Report at gesb.wa.gov.au or by calling 13 43 72.

⁵ Investment assets include, but are not limited to, Cash and Cash equivalents, Derivative assets and liabilities, Term Deposits, Equities, Shares, Properties, and Bonds.

Statement of changes in member benefits for the year ended 30 June 2017

	2017 \$'000	2016 \$'000
Opening balance at the beginning of the financial year	26,225,458	25,063,886
Net after-tax contributions	2,685,473	2,551,411
Benefits to members/beneficiaries	(1,949,117)	(1,851,783)
Net insurance charged to member accounts	(54,835)	(41,605)
Net change/benefits allocated to member accounts	1,677,258	503,549
CLOSING BALANCE AT THE END OF THE FINANCIAL YEAR	28,584,237	26,225,458

Movement in reserves for the year ended 30 June 2017

	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

More information

Enquiries and complaints

If you have an enquiry or complaint, visit gesb.wa.gov.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 on 1300 884 114.

Available on request

You can find more information about our schemes, products and services at gesb.wa.gov.au or by calling 13 43 72. Other information that is 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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