



Annual Report

2004/2005





Our Vision

To improve the long-term financial security of our members.



Our Mission

To provide a competitive range of superannuation and related products and services that are preferred by our members.



Corporate Objectives

To achieve competitive performance in the areas of:

- **Investment**

Optimising investment returns for given risk profiles for members through diversified and cost effective investments that outperform benchmarks.

- **Member and Employer Services**

Matching market with a range of products and services and providing members and employers with the access to services they expect.

- **Cost Management**

Driving cost efficiency and process improvements throughout the business.

- **People Management**

Aligning our strengths and competencies to maintain momentum for our strategic direction.



Our Brand Values

- Knowledgeable
- Responsive
- Secure
- Accessible
- Responsible
- Efficient

To the Hon Eric Ripper MLA

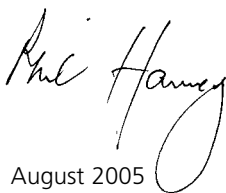
Deputy Premier; Treasurer; Minister for Government Enterprises;
Minister assisting the Minister for Public Sector Management.

In accordance with Section 66 of the *Financial Administration and Audit Act 1985*, we hereby submit for your information and presentation to Parliament, the Annual Report of the Government Employees Superannuation Board for the financial year ended 30 June 2005.

The Annual Report has been prepared in accordance with the requirements of the following Acts:

- Financial Administration and Audit Act 1985
- Disability Services Act 1993
- Public Sector Management Act 1974
- Freedom of Information Act 1992
- State Records Act 2000
- Electoral Act 1984
- Public Interest Disclosure Act 2003

P. J. Harvey
Chairman



31 August 2005

M. Dolin
Chief Executive Officer



31 August 2005



Contents

GESB Profile	4
Chairman and Chief Executive Officer's Joint Report.....	5
Performance Highlights.....	7
Strategic Direction	9
Investment.....	11
Member and Employer Services.....	16
Cost Management.....	23
People Management.....	25
Corporate Overview	27
Corporate Governance.....	31
Organisational Structure	36
Compliance Requirements.....	37
Financial Statements	41
Key Performance Indicators	81
Appendices	88
Appendix 1 – Government Desired Outcome and Service.....	91
Appendix 2 – Schemes Design	92
Appendix 3 – Investment Schedules.....	97
Appendix 4 – Legislation Administered	103
Appendix 5 – Inter-agency Working Groups.....	104
Appendix 6 – Sustainability Triple Bottom Line Reporting	105
Appendix 7 – Budget Estimate 2005/06	107
Appendix 8 – Publications and Contacts	109

GESB Profile

GESB manages the largest Western Australia-based superannuation fund, a \$5 billion investment portfolio for over 260,000 members.

As a not-for-profit, member-based organisation for current and former employees of the Western Australian Public Sector and their partners, GESB is committed to improving the long-term financial security of its members. This is achieved through sound investment performance while maintaining focus on cost-effectiveness.

GESB is committed to assisting members achieve their retirement income goals by providing a range of competitive products and services, managing business financial risks prudently and focusing on member value. The GES Fund is managed by an experienced Investment Team who develop investment strategies that are managed by external fund managers. GESB's scale of funds under management delivers benefits to members through low asset management costs and diversification across and within asset classes. Members have access to a diverse range of markets, and competitive returns across asset classes within agreed risk levels.

The launch of GESB's brand identity and brand values supports the commitment of GESB's staff to continue to provide competitive products, sound investment returns and professional service.

GESB offers a range of superannuation and retirement schemes and member and employer services. Members can choose to invest their superannuation at retirement in Retirement Income Allocated Pension, Retirement Income Term Allocated Pension or in Retirement Access.

GESB's Employer Services Team and Member Services Centre are conveniently located in the Perth central business district and are accessible by internet, phone, appointment and workplace sessions. Employer Relationship Managers assist with employer enquiries and reporting. Experienced staff in the Member Services Centre provide assistance with all superannuation related enquiries. Additionally, members can now take a more active role in their superannuation through Member Online to change membership details, change investment plan, make voluntary contributions or view transaction details.

We're committed to improving the long-term financial security of our members.

Chairman and Chief Executive Officer's Joint Report



We are pleased to report on GESB's performance for 2004/05. In summary, the year was one of important legislative change, good investment returns, high growth in funds under management and increased member satisfaction.

GESB operated within a dynamic environment during the year. A number of significant changes to the Commonwealth legislation and changes to the external environment, in particular, the *Superannuation Legislation Amendment (Choice of Superannuation Funds) Act 2004* came into effect on 1 July 2005. Western Australian public sector employees who are employed under State legislation are currently exempted from this Act. However, in light of the likely impact of this legislation on superannuation generally, and as part of its obligation to act in members' best interests, GESB is continuing to examine the broader impacts of choice on members and the GES Fund.

During the year, we chose to simplify the name Government Employees Superannuation Board to "GESB". Research indicated that members found the full name too long-winded and outdated. This name, while strongly linked to the past, signals a more competitive way of doing business and reflects a progressive, secure organisation committed to its members. Linked to this name are six brand values, which are knowledgeable, responsive, secure, accessible, responsible and efficient. These values were developed to underpin all activities undertaken by GESB staff when dealing with members and with each other.

To ensure that GESB remains preferred by members in the increasingly competitive market for superannuation

products and services, the Board and Executive reviewed and confirmed several aspects of GESB's operations during the year, including its strategic direction. GESB expects to continue to expand and enhance the range of products and services currently available to members. We believe this is fundamental to GESB's ability to maintain, and increase, economies of scale through growth in member numbers and funds under management which will ensure that investment and administration costs remain competitive when compared to the market.

The proportion of members approaching retirement is steadily increasing, with more than 40% of current members aged between 45 and 64. This reflects the current Australian population trend towards a more ageing population. It is important that GESB continues to provide products and services that these members need, during employment and retirement. The range of retirement options was expanded during the year, with the introduction of the Retirement Income Term Allocated Pension, which allows members to invest their superannuation funds to create a regular income in retirement over a selected length of time.

Retired members now have the choice of investing their superannuation at retirement into an Allocated Pension, a Term Allocated Pension or to place their funds in GESB's Retirement Access product. In addition, the Mix Your Plan (MY Plan) investment option was introduced to retirement products, allowing members to invest their superannuation in individually chosen asset classes. Daily unit pricing was also introduced to enable more frequent valuations for members in West State Super, Retirement Income and Retirement Access.

Several initiatives were undertaken to make information about superannuation simpler and more accessible to members. GESB launched a new website, providing more detailed information to members and better access to superannuation tools. Member and Employer Online login areas were launched within the GESB website to provide members with access to account information as well as giving members the ability to manage their accounts including switching investment plans, making additional contributions, changing member information details and making BPAY contributions. Further developments of web services are planned for the coming months.

Also during the year, member statements were improved and a new member report newsletter, "Super Outlook", was developed to provide superannuation information better tailored to both West State Super and Gold State Super members. GESB seminars continued to be well attended by members approaching retirement or considering leaving the public service. The seminars were structured to meet different member needs and

included topics such as retirement investment options, co-contributions, salary packaging, the superannuation surcharge tax and phased retirement.

The relatively high growth in funds under management reflected a healthy global and Australian economy. Throughout 2004/05 international share markets recorded moderate gains overall. The Australian share market generated higher than average returns, reflecting sustained corporate profitability and favourable commodity prices. GESB's funds under management increased from \$4.21 billion to \$5.36 billion in 2004/05, representing an increase of 27%. The growth was due to a combination of sound investment returns, increased voluntary member contributions and higher member take-up into retirement products.

GESB delivered a very sound investment performance in 2004/05, with 100% of asset class benchmarks being equalled or exceeded. Investment diversification strategies for the year included:

- The appointment of two new investment managers for Australian equities and a 100% active management strategy
- The sale of the remaining 50% of Central Park, as part of a property diversification strategy that will include international as well as domestic property going forward
- Continuing the implementation of the domestic and international private equity investment strategy

GESB continued to improve its management and administration systems during the year. In particular, several improvements were made to GESB's accounting systems in order to provide more relevant and timely financial reporting. Benchmarking of IT costs continued during the year.

Wider benchmarking was carried out through GESB's participation in two superannuation industry surveys in 2004/05. They showed that GESB's administration costs were below the median of all superannuation funds, and that GESB is competitive against the top five superannuation funds.

Over the next year and beyond, the pace of change in GESB's external environment is likely to accelerate with the impact of the Choice legislation, further contraction of the industry through mergers, increasing competition on fees, increased emphasis on wealth management and financial planning, greater consumer awareness, portability and interest in superannuation. This will be an exciting time for GESB, where the focus will be on finding its place in this increasingly competitive environment. As part of this, GESB will be looking at positioning itself for the future by building on its strong value proposition through broadening its product range

and services for members and capitalising on its scale efficiencies in administration, IT and funds management.

We recognise the key role played by GESB staff in all its activities. A performance-based culture is being implemented across GESB; corporate strategic initiatives are cascaded into annual divisional business plans, and ultimately through to individual personal business plans. A leadership competency model was developed, setting out the competencies expected of leaders. In addition, a reward and recognition scheme was launched, aimed at recognising employees who are outstanding role models within GESB.

Our thanks go to all GESB staff for their commitment in enabling GESB to make the strong progress it has during the year. To all of them, on behalf of the Board, we extend our sincere appreciation.

There were no changes to Board membership during the year. Matt Farrell was re-elected as a Member Director and reappointed as Deputy Chairman.

The Board continued to focus on strategic management, investment performance and member and employer services. All directors participated in ongoing professional development, consistent with the principles of the new operating standards developed by the Australian Prudential Regulation Authority covering the fitness and propriety of superannuation trustees. The Board determined, as a matter of best practice, that GESB should move towards a similar "fit and proper" standard for its directors.

We take this opportunity to thank our fellow directors for their contribution and commitment throughout the year.

We also take this opportunity to thank our former Minister, the Hon Nick Griffiths, LLB, and his staff for their guidance and support during the year.

We also welcome our new Minister, the Hon Eric Ripper MLA and Parliamentary Secretary, the Hon Kate Doust MLC and look forward to a close and beneficial working relationship.

Michel Dolin

Michele Dolin

Phil Harvey

Phil Harvey

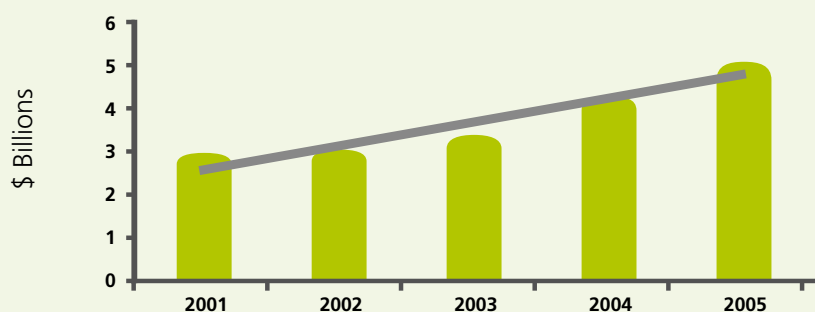


Performance Highlights

Investments

- Funds under management increased by 27%, from \$4.21 billion to \$5.36 billion
- West State Super Balanced Plan, the plan adopted by 80% of members, achieved a gross return of 13.52% against a benchmark of 13.14%
- Gold State Super, Pension and Provident Schemes achieved a gross return of 14.65%, exceeding their industry benchmark of 14.15%. They also achieved a rolling 3 year return of 9.64% pa comfortably exceeding their targeted objective of 6.55% pa (CPI+4% pa)
- Sale of GESB's remaining 50% interest in Central Park as part of GESB's ongoing property diversification strategy

Funds Under Management Growth



GESB's total investment portfolio increased by 27% over the year

Member and Employer Services

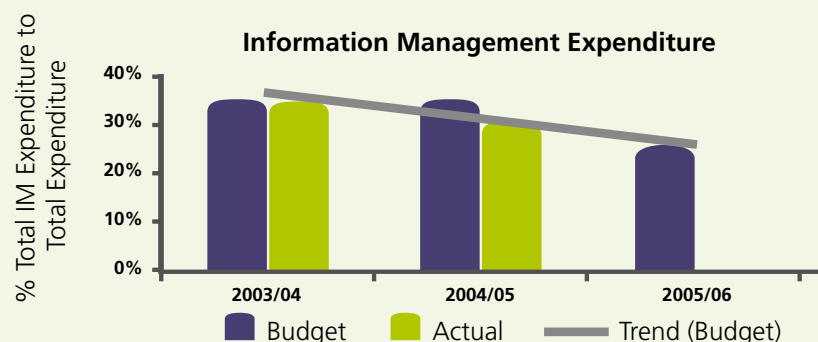
- Introduction of Retirement Income Term Allocated Pension
- Introduction of Mix Your (MY) Plan in retirement products
- Introduction of Daily Unit Pricing
- Increased benefit retention into retirement products from 33% to 43%
- Launch of Member and Employer Online and an enhanced GESB website
- Member satisfaction increased from 66% to 74%
- New brand identity and 'GESB' corporate image launched



Member satisfaction continued to increase due to increased focus on customer service, a number of communication initiatives, introduction of new services and sound investment performance

Cost Management

- Continued benchmarking of information technology costs and adoption of strategies that resulted in a reduction of information technology costs
- Integration of strategic planning, strategic risk review and budget preparation resulting in a more effective, timely and efficient planning process



Information Management expenditure continues to be closely managed

People Management

- Leadership competency model developed to promote performance based cultural values
- Launched a reward and recognition program, which

recognises staff that demonstrate GESB's corporate values

- Integration of strategic and business plans into personal business plans at individual level



Strategic Direction

GESB's vision and mission reflect its focus on members. GESB seeks to achieve its vision through offering competitive superannuation and related products and services that meet the expectations and needs of members.

GESB's Vision

To improve the long-term financial security of our members.

GESB's Mission

To provide a competitive range of superannuation and related products and services that are preferred by our members.

Corporate Objectives

GESB's vision and mission are underpinned by four corporate objectives that require GESB to deliver competitive returns to members within acceptable levels of risk and cost, in an environment that is service oriented and productive, and in which GESB people can develop.

These corporate objectives are:



Investment

Optimising investment returns for given risk profiles for members through diversified and cost effective investments that outperform benchmarks.

Assessment: Investment performance is assessed against the dimensions of returns, risk and cost.

Outcome: Above benchmark returns at low cost within agreed risk levels.



Member and Employer Services

Matching market with a range of products and services and providing members and employers with the access to services they expect.

Assessment: Member and employer services are assessed against the extent to which GESB matches market in products and services.

Outcome: Match market in terms of product range, product features, price and service.



Cost Management

Driving cost efficiency and process improvements throughout the business.

Assessment: Our performance in cost management is assessed through relevant industry benchmarks and peer comparisons, with a particular focus on the key areas of information and communication technologies, data processing efficiency and maintaining a disciplined alignment of resources to strategic initiatives.

Outcome: Match market in terms of cost efficient delivery.



People Management

Aligning our strengths and competencies to maintain momentum for our strategic direction.

Assessment: Our performance in people management is assessed through our capacity to attract and retain quality staff, aligning their efforts to the strategic priorities and providing professional and career development opportunities.

Outcome: A flexible, adaptive and performance focused culture.

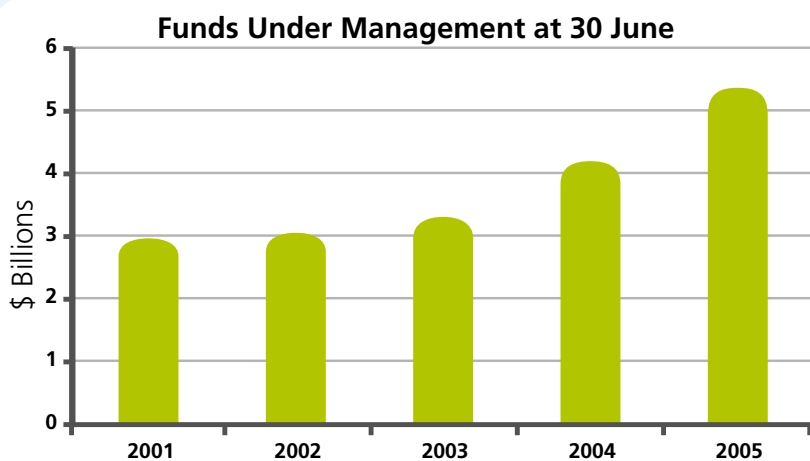
Investment

GESB aims to consistently deliver above benchmark returns at low cost within agreed risk levels.

GESB's Service : A range of competitive products that are relevant to members¹

Strong performances from all asset classes boosted GESB's overall returns in 2004/05.

The total investment portfolio increased by 27% over the year from \$4.21 billion to \$5.36 billion. The defined benefit schemes accounted for \$2.1 billion with the balance representing West State Super, Retirement Income and Retirement Access schemes.



GESB's investment benchmarks used throughout this Annual Report are based on industry standards as recommended by our asset consultant.

West State Super

West State Super Diversified Plan Performance (Gross) – 1 & 3 Years Ending 30 June 2005

	Cash	Conservative	Balanced	Growth
Plan 1 Year %	6.21	11.75	13.52	14.11
Benchmark 1 Year %	5.64	11.45	13.14	13.67
Plan 3 Years (% pa)	5.68	8.63	9.57	9.68
Benchmark 3 Years (% pa)	5.30	8.23	9.13	9.23

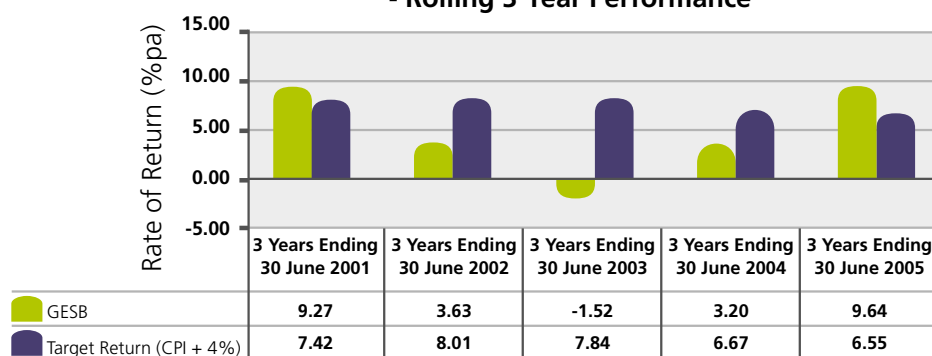
All West State Super Diversified Plans exceeded their asset class benchmark for the year. More importantly, they also outperformed their benchmarks on a three year rolling basis.

Within West State Super, the Balanced Plan (the plan adopted by

80% of members) produced a gross return of 13.52%, largely matching last year's performance of 13.90%. Importantly, the Balanced Plan's three year performance of 9.57% per annum (pa) exceeded its benchmark by 0.44% per annum.

Gold State Super, Pension Scheme and Provident Scheme

**Gold State Super, Pension Scheme and Provident Scheme
- Rolling 3 Year Performance**



The assets of the defined benefits schemes (i.e. the Gold State Super, Pension and Provident Schemes) are pooled into a single plan and are invested together. The plan achieved a gross return of 14.65% over the year and outperformed its

composite benchmark which returned 14.15%. Over a three year period the plan achieved a return of 9.64% pa, exceeding its benchmark by 0.27% pa. These schemes also have an objective of exceeding the CPI by 4% per annum over rolling

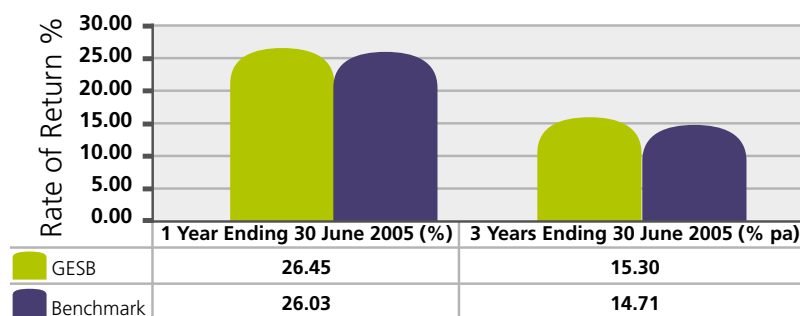
three year periods. Strong returns from shares and property over the last 2 years have substantially improved recent performance such that this target has been exceeded for the latest 3 year period.

Asset Class Performance

The performance of the various asset classes is set out below. Details of asset class performance over the last three financial years, relative to the index benchmarks, are shown in Appendix 3.

Australian Equities

Australian Equities Performance



Due to rising commodity prices and a resilient domestic economy, Australian shares surged 26% higher in 2004/05. The current bull market cycle in local equities has now delivered investors a 69% total return on the S&P/ASX 200 Accumulation Index since March 2003. Highlighting the commodity-led momentum, the S&P/ASX 100 Resources Index gained 46% in 2004/05 and the S&P/ASX 300 Energy Index rallied 67%.

GESB's Australian equity managers outperformed the S&P/ASX 300 Accumulation Index by 0.42% with a total return of 26.45%.

As at 30 June 2005, GESB's allocation to Australian equities was \$1,385.82 million or 25.9% of the investment portfolio.

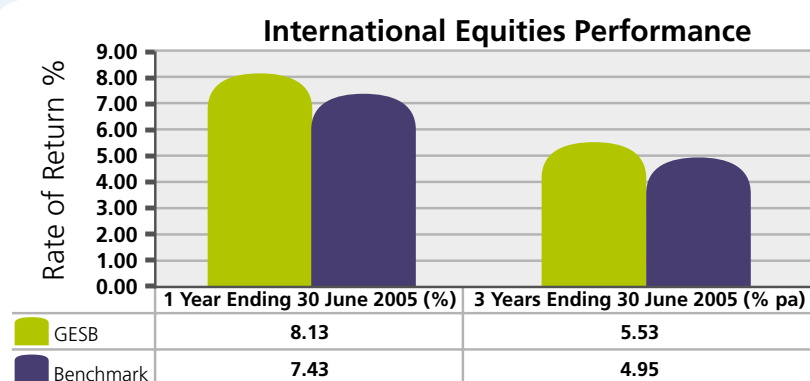
Early in the year GESB completed a restructuring of its broad market manager line-up. Two investment mandates were terminated and a

100% active management approach was adopted. Two new broad market managers were appointed, resulting in a year-end structure comprising four broad market managers, two small capitalisation managers and a specialist private equity fund of funds.

International Equities

Despite rising US interest rates, rising energy prices and lacklustre growth in some key developed economies, international shares still achieved satisfactory returns in 2004/05. The MSCI World ex Australia Index (in local currencies) gained 9.8%. US equities gained 6%, while European markets traded at a disconnect from economic fundamentals, rallying 13% over the year. In contrast, Japanese shares exhibited no such detachment from economic fundamentals, declining by 1%.

During the year, GESB made a minor re-adjustment to its US equity manager line-up, replacing an active US growth manager with a passive US growth manager. As at 30 June 2005, the international equity



portfolio comprised core global and US growth passive managers, two active US equity managers, two active international ex-US equity managers, two emerging markets managers and a specialist private equity fund of funds.

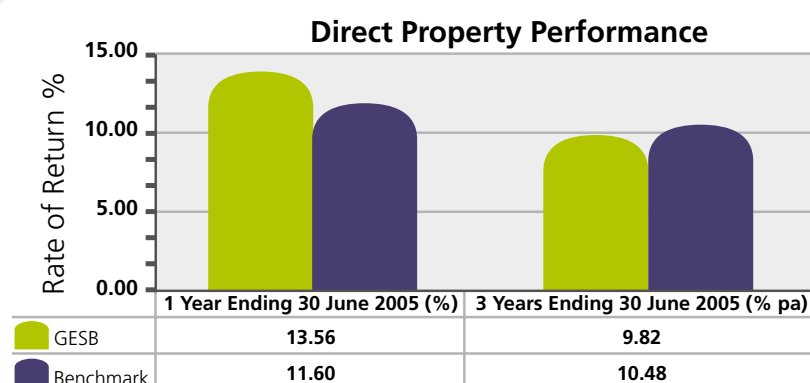
At the year's end, \$1,736.49 million or 32.4% of the portfolio was invested in international equities.

GESB's managers had a much improved year in relative terms, outperforming the asset class benchmark by 0.70%.

GESB maintains a permanent foreign currency hedge over approximately 50% of the international equities portfolio. The hedge is managed by GESB's passive international equities manager.

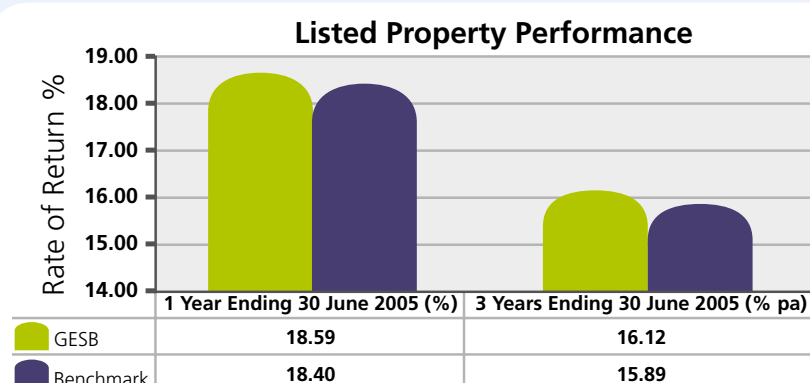
Direct Property

Consistent with the objectives of GESB's property diversification strategy, the sale of GESB's remaining 50% interest in Central Park has been successfully negotiated. Settlement took place on 29 July 2005. The return for the year of 13.56% comfortably exceeded the benchmark.



Listed Property Securities

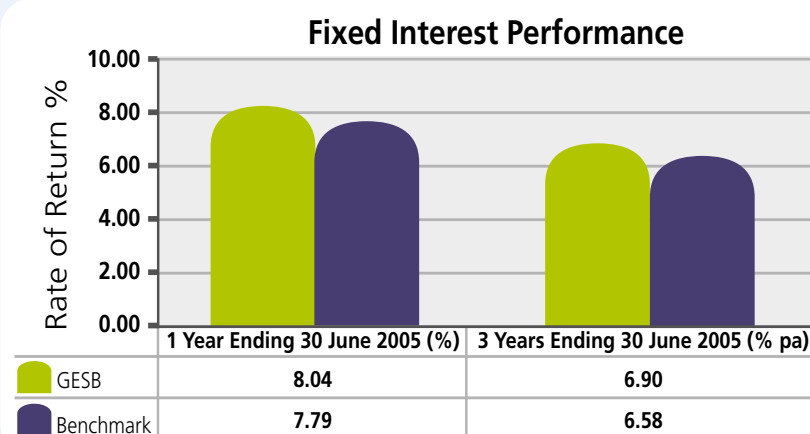
Keeping pace with the broad Australian equity market and aided by further contraction in bond yields, Australian listed property securities posted a return of 18.4% on the S&P/ASX 300 Property Accumulation Index. This now represents the sixth consecutive year of double-digit returns by this asset class and another year in which the listed property benchmark materially exceeded the direct property benchmark.



GESB's Australian listed property managers outperformed the asset class benchmark by 0.19% with a total return of 18.59%.

As at 30 June 2005, the listed property sector comprised two active managers and a passive manager.

Fixed Interest



In a year when the Australian economy exhibited strong growth and monetary policy was relatively benign, the local bond market proved unable to de-link itself from the trend in US Bond Markets. The UBSWA Composite Bond Index rose by 7.79% with longer dated Australian bond yields contracting in unison with global markets.

The Australian Commonwealth Government 10 year bond ended the year with a yield of 5.11%, down from 5.93% 12 months earlier.

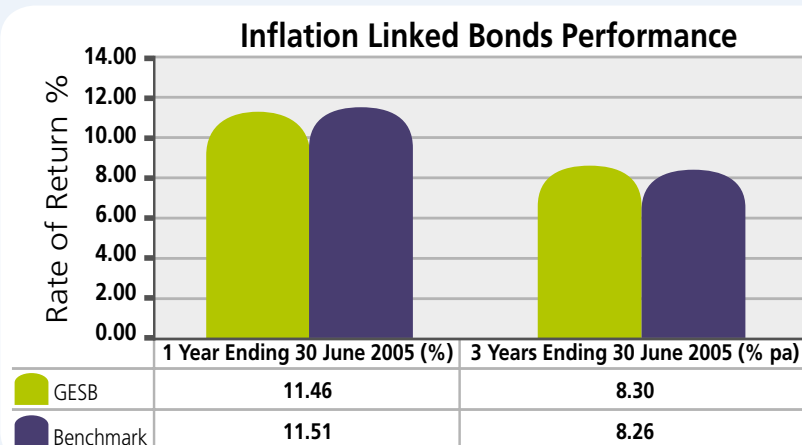
There were no changes to GESB's external fund manager line-up. The Australian fixed interest portfolio now accounts for 10.6% of GESB's investment assets or \$568.54 million.

As at 30 June 2005, it comprised two externally managed active portfolios and a small investment in SMHL Origination Fund No. 3 (Members Equity).

In a very challenging year for active management, GESB's Australian fixed interest managers performed satisfactorily, exceeding the asset class benchmark by 0.25%.

Inflation Linked Bonds

Australian inflation linked bonds, as measured by the UBSWA Inflation Linked Bond Index, returned 11.51% in 2004/05. The inflation linked sector materially outperformed the nominal market with real yields narrowing significantly. The Commonwealth Government 10 year indexed bond broke below 3% in August and stayed there all year. It closed the year with a real yield of 2.54%, down from 3.28% as at 30 June 2004.

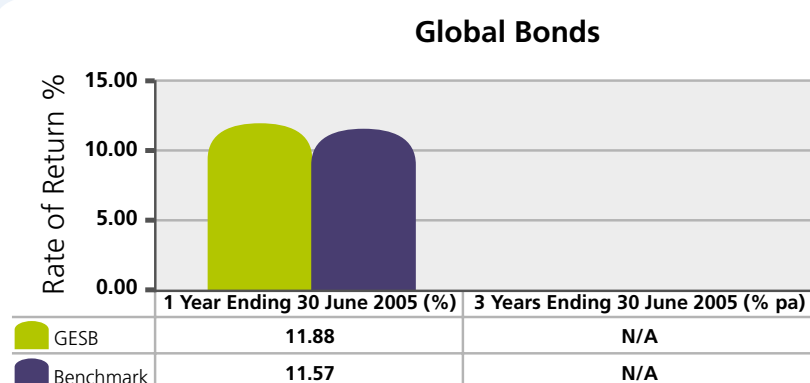


There has been no change to the asset class structure with GESB's inflation linked bonds managed under separate enhanced and passive portfolios. The asset class

represents 3.86% of GESB's total portfolio (\$206.68 million). In aggregate, GESB's managers largely met the benchmark in 2004/05.

Global Bonds

A predominant theme of yield curve flattening drove the Lehman Global Aggregate Index (A\$ hedged) 11.6% higher in 2004/05. Yield curves flattened across the board in Europe, the United States, Canada and Japan. Bond yields fell in longer dated European and Japanese markets which was unsurprising given negative economic fundamentals. Falling bond yields at the longer dated part of the US yield curve however, took most by surprise. The yield on US 10 year Treasuries contracted from 4.6% to 3.9% despite a firmer inflationary trend and economic growth running in excess of 3.5% pa.



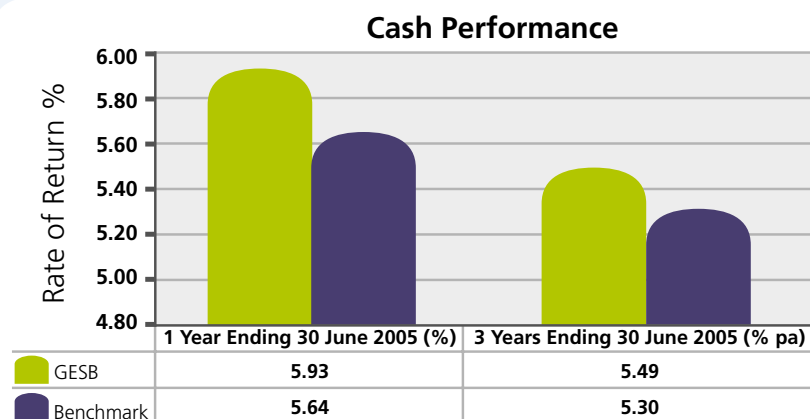
Note: 3 Years rate of return not available as global bonds were introduced in May 2004

GESB's global bond portfolio comprises two active managers. In their first full year since funding the managers outperformed the benchmark by 0.31%.

The asset class represented 13.39% (\$717.58 million) of the total portfolio at year's end.

Cash

Cash rates moved slightly higher during 2004/05 with the Reserve Bank of Australia lifting interest rates once, in March, from 5.25% to 5.50%; the UBS Australia Bank Bill Index returning 5.64%. The cash portfolio amounted to \$190.35 million or 3.55% of investment assets at year's end. The enhanced strategies adopted in the asset class are reflected in outperformance of 0.29% relative to the benchmark.



Investment Risk Management

Risk management is an integral part of GESB's investment process and policy. It manifests itself in the 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. A Risk Management Statement for Investments covering the use of derivatives, which is consistent with APRA best practice, is in place and is reviewed annually by the Board.

Looking ahead

1. Continue the implementation of the private equity strategy
2. Implement the Property Strategy to include Global Property securities following settlement of the remaining 50% holding in Central Park
3. Review the Global Equity Strategy

Member and Employer Services

GESB aims to match market in terms of product range, product features and service for members and employers.

GESB's Service: A range of competitive products that are relevant to members²

New GESB Logo and Brand Values

As of 1 March 2005, the 'Government Employees Superannuation Board' is simply known as 'GESB'. GESB (pronounced 'gezbee') was chosen as a result of research with members who wanted a more modern, inclusive and friendly name that was easy to remember and say. However members also wanted to keep a sense of familiarity, security and trust that the association with the existing name conveys.

The new identity is representative of GESB's strength and friendliness and signals a progressive, secure organisation committed to its members. It will help GESB operate more effectively in the highly competitive superannuation market. This is part of GESB's commitment to delivering friendly professional service and making superannuation easier for members.

GESB refreshed its corporate image and launched a media campaign focusing on raising awareness of GESB to build its reputation as a significant superannuation provider in Western Australia, as well as to encourage members to plan for their retirement.

As a team, the staff of GESB developed six key brand values that encapsulate its priorities in managing retirement savings. The values GESB aims to demonstrate are being:

- Knowledgeable - expert, skilled, smart and experienced
- Responsive - understanding, empathetic, personal and flexible
- Secure - conservative, cautious, stable and certain
- Accessible - available, simplifying, approachable and convenient
- Responsible - honest, ethical, transparent and having integrity
- Efficient - timely, accurate, dependable and consistent

The brand values are qualities in which GESB believes, and underpin all activities undertaken.

**Our new identity
speaks of strength,
strength and
friendliness,
and a progressive
attitude.**

² Further information regarding GESB's Service and how it is linked to the Government Desired Outcome is provided at Appendix 1

Greater Understanding of Members Needs

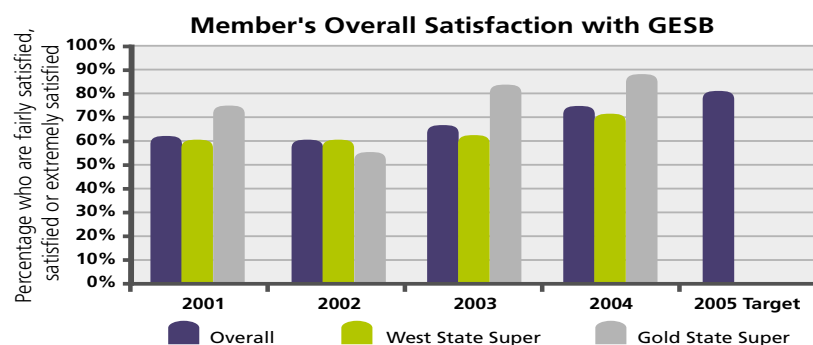
The fifth annual member satisfaction survey was conducted in February 2005. Overall satisfaction with GESB improved significantly from 66% in 2003/04 to 74% of members in 2004/05. This exceeds the target of 70% and is an encouraging result which is mainly driven by the significant increase in West State Super members' satisfaction. Gold State Super members' overall satisfaction with GESB has been maintained at 87% with a significant increase in the proportion of Gold State Super members extremely satisfied with GESB, increasing from 18% in 2003/04 to 30% in 2004/05. The increase in member satisfaction was due to key concentrated and focused efforts by GESB to improve customer service, increased communication initiatives such as simplified statements, targeted newsletters, the introduction of new services and sound investment performance.

GESB expanded its marketing and industry research program to enable better understanding and insight into members' needs and satisfaction. This year the program focused on ways to further improve GESB's service delivery to meet the needs of members and employers. As a result, GESB developed a member segment approach to communications and service delivery. This ensures that relevant information, products and services are delivered to defined member segments that assist members in making informed decisions and help secure their long-term financial security.

Retirement Income Term Allocated Pension

GESB is committed to providing a range of superannuation and related products and services that are preferred by members. To enhance GESB's existing range of retirement options, the Retirement Income Term Allocated Pension was introduced in December 2004. The Retirement Income Term Allocated Pension allows members to invest their superannuation at retirement to create a regular income over a certain 'term', or length of time. As it is linked to the investment market the Term Allocated Pension generates an annual income that varies depending on the performance of their investments and their chosen term of pension. Members investing in the Term Allocated Pension may be eligible for added benefits of a 'complying pension', such as qualifying for greater tax benefits and the ability to maximise Centrelink entitlements.

We strive to match our excellent service with products our members really want.



Member satisfaction with GESB increased significantly in the last year.

**Members and employers
now have 24/7 online access
to GESB services.**

Other Retirement Options

The additional Mix Your (MY) Plan investment plan option was included in the Retirement Income and Retirement Access products in January 2005. MY Plan, which is already offered in West State Super, allows members to personally select to invest their superannuation in any single asset class or a mixture of all five asset classes available in MY Plan. These are international shares, Australian shares, property, Australian fixed interest and cash. MY Plan enables members to build their own investment mix and monitor investment movements based on their investment choice.

Members' take up of these retirement products continued to grow. The proportion of eligible benefits retained within Retirement Access and Retirement Income increased significantly from 33% for the year to 30 June 2004 to 43% for the year to 30 June 2005.

Daily Unit Pricing

Daily unit pricing was introduced in November 2004 to enable more frequent valuations for members in West State Super, Retirement Income and Retirement Access. Previously, the unit prices were valued weekly. This initiative brings GESB more in line with industry best practice and creates greater ease and flexibility for members in switching between different investment plans and has enhanced GESB's development capabilities to introduce new products to members.

Member and Employer Online

Members turn to GESB to help them understand their superannuation and assist them to make their retirement decisions. Members expect GESB to provide simple yet detailed information through the provision of education and information.

In response to these needs, August 2004 saw the launch of the Member and Employer Online login areas within the GESB website. These provide access to member account information as well as providing the ability for

members to manage their accounts, including switching investment plans, making additional contributions and changing member information details. The Member and Employer Online login areas provide a secure 24 hour a day, 7 day a week self-servicing online channel to members and employers who would prefer to communicate and transact online.

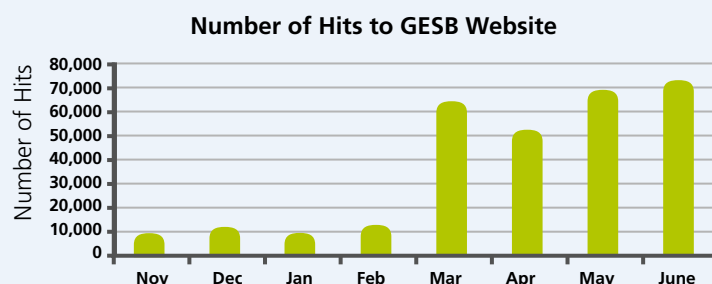
GESB members can:

- Check their membership details and update contact details
- Check their account balance
- Make a voluntary contribution to West State Super via BPAY from their bank, credit institution or building society account
- Check their transaction history for personal contributions and roll-overs made to GESB
- Review the unit price history of their chosen investment plan
- Review their current investment strategy and its investment performance
- Lodge their Tax File Number (if not previously provided to GESB)

More than one third of direct contributions are now made via BPAY.

In addition to the self-servicing login areas, in March 2005 GESB launched a new website with over 350 pages of new information and tools focused on providing education on superannuation for members.

The newly revamped website received an average of 63,565 hits per month compared to an average of 10,000 on the previous website. Further development of web-services are planned with online seminar bookings, benefit quotes, personalised content and automated confirmation of transactions.





Communicating with Members

Members received improved statements showing all account transactions for the six month periods ending 30 June 2004 and 31 December 2004 and a new member report newsletter: Super Outlook. The statement and member report newsletters provided members with useful information about their superannuation accounts in a clear, easy-to-read format. Members also received a 'Member Card' to assist them with Member Online registration. The statements and member report newsletters were tailored to provide relevant and appropriate information for West State Super and Gold State Super members. Initial feedback received from members was positive, with the new statements perceived as clear and comprehensive.

GESB seminars continued to grow in popularity among members considering retirement. These seminars were structured to meet different member needs and included topics such as West State Super, Gold State Super, co-contributions, salary packaging, super surcharge tax, phased retirement and retirement. Retirement Planning Seminars included speakers from GESB, Centrelink and independent financial planners. In total, GESB conducted 655 workplace seminars, 40 retirement seminars and 123 workplace visits. These were attended by 13,560 members. There was also a continued focus on regional seminars, with visits to Kalgoorlie, Geraldton, Albany, Broome and Bunbury. Increased interest and attendance by members has resulted in increased benefit retention with more members opting to invest in GESB's retirement products.

Co-contributions

In April 2005, GESB conducted a 'pre 30 June co-contributions' campaign in the lead up to the end of the financial year to educate and encourage members to take advantage of the Commonwealth co-contributions initiative. This campaign encouraged members to make more personal after-tax payments into their superannuation account by highlighting the greater rewards for every dollar invested. The maximum income level to qualify for the Commonwealth Government super co-contributions was raised from \$40,000 to \$58,000 this financial year.

West State Super Insurance Cover

West State Super members automatically receive death and disability insurance cover upon joining the WA Public Sector. This cover is provided without members being required to take a medical examination. Members are now able to opt out of their insurance cover at any time by completing a 'Cancellation of Insurance Cover' form. In October 2004 some minor adjustments were made to bring insurance premiums in line with insurance claims and administration costs.

**We conducted 655
workplace seminars,
40 retirement seminars
and 123 workplace visits.**

We're working more and more closely with employers, to provide better services to members.

Relationships with Employers

GESB's relationship with employers has continued at a high level of activity throughout the year with an emphasis on assisting employers to change to GESB's new online service for the transmission of contribution data files and direct debit facilities. In addition to the services provided by GESB's online system, the Employer Relationship Managers continued to maintain a strong working relationship with Human Resource and Payroll staff in the agencies. Opportunities to share and discuss superannuation issues occurred during regular employer representative forums for Human Resource Managers and employer briefings for operational Human Resource and Payroll staff. The Employer Relationship Managers also visited agencies on an informal basis to discuss liability reporting, payroll processing, invoicing and general superannuation issues.

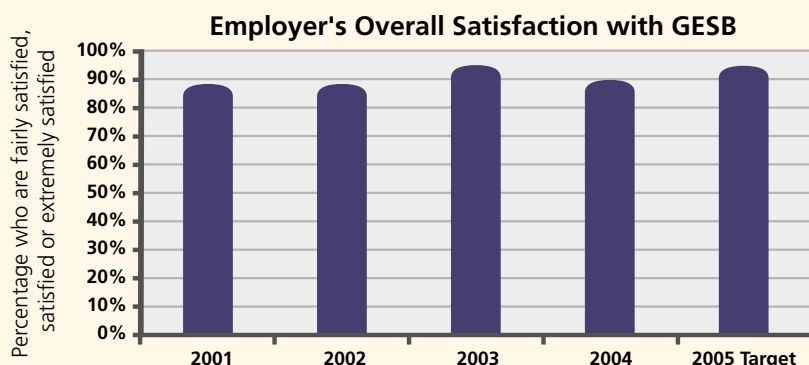
Recent enhancements to Employer Online now make it more convenient for employers to manage their employees' super contributions. Data files are electronically submitted securely through Employer Online, with automatic reconciliation reports to identify any discrepancies between Gold State Super member contributions calculated and contributions submitted. Online invoices to employers for Gold State Super employer contributions have also been introduced to replace paper based reports distributed through mail. These Employer Online initiatives help to address the Auditor General's recommendation in the Performance Examination report that GESB and employer agencies should work together to streamline the processing and improve the accuracy and timeliness of contributions, particularly for Gold State Super. The Employer Online facility has resulted in 100 per cent of agencies validating their own data (e.g. member identity and contribution amounts) prior to submitting it online.

The fifth annual employer survey shows strong and steady results by GESB, when compared to 2003. Nearly 90% of employer contacts were satisfied with GESB and the service it provides and around two-thirds value their relationship with GESB highly. The significant gains in key performance indicators achieved in 2003 were maintained and satisfaction with the majority of service attributes remained at similar levels to last year.

Choice of Fund

Legislation allowing choice of superannuation funds was enacted in June 2004 pursuant to the *Superannuation Legislation Amendment (Choice of Superannuation Funds) Act 2004* ("Choice Legislation"). The commencement date for the Choice Legislation is 1 July 2005. On 25 January 2005, the Commonwealth confirmed that it proposed that superannuation guarantee contributions by a WA public sector employer under the *State Superannuation Act 2000* will be deemed to comply with the choice of fund requirements. Accordingly, employees of such WA employers will not be entitled to choice of fund in relation to their superannuation guarantee contributions.

In light of the effect of the Commonwealth legislation on members, and as part of its obligation to act in their best interests, GESB is examining the broader impacts of choice for members and the GES Fund. Meanwhile, GESB's current strategic direction and plan aim to ensure that GESB remains a viable choice for members in a highly competitive market for superannuation products and services and thus meet the best interests of members.



Relationships with Stakeholders

Changes to the *State Superannuation Regulations 2001* were gazetted in December 2004 to provide for:

- Term Allocated Pension being introduced as a taxed scheme within GESB
- Acceptance of the Commonwealth's co-contributions into either the West State Super Scheme or the Retirement Access Scheme for all eligible members of GESB
- Trading name for 'Government Employees Superannuation Board' to be 'GESB'
- West State Super members to opt out of death and disability insurance voluntarily and later resume cover subject to the provision of satisfactory medical reports
- Former GESB members or partners of former GESB members to become either Retirement Income or Retirement Access members

In June 2004, the Office of the Auditor General (OAG) released its Performance Examination – Administration of Superannuation report. Many of the actions raised in the performance review were already in the process of being addressed by GESB through its strategic initiatives and as part of the broader strategic drive by GESB to face the challenges of a rapidly evolving superannuation industry. GESB has provided a report to Parliament's Public Accounts Committee detailing what actions have been taken in regards to the recommendations.

The Superannuation Consultative Group³ and the Superannuation Discussion Group⁴ met on a regular basis to discuss various superannuation policy issues. These included the broader impacts of the Commonwealth's choice legislation for members and the GES Fund, updates on the current status of proposed products and services and GESB's regulatory framework.

Parliamentary and Judges Pension Arrangements

The Judicial and Parliamentary Pension Arrangements continue to be administered by GESB. At 30 June 2005, there were 36 current members of the Parliamentary Pension Scheme and 119 retired members and widows of Members of Parliament. There were 49 current members of the Judges Pension Scheme and 40 retired members and widows of Judges. The Parliamentary and Judges Team participated in the induction program for the incoming Members of the Legislative Assembly.

GESB provided articles on superannuation for publication in Government Agencies and Public Sector Union newsletters. The topics of the articles published related to choice of fund, co-contributions and retirement income.

Looking ahead

1. *Continue to build GESB brand reputation*
2. *Expanding and enhancing the range of products to meet market*
3. *Continuing to develop and maintain strong relationships with employers and stakeholders*

³ Role and composition of Superannuation Consultative Group are detailed in Appendix 5.

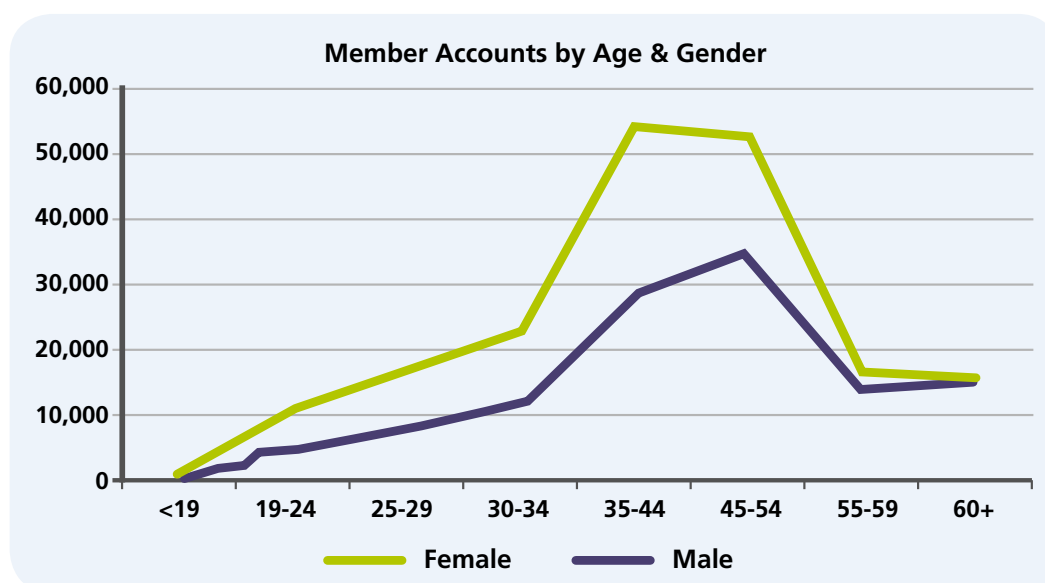
⁴ Role and composition of Superannuation Discussion Group are detailed in Appendix 5

Key Member-related Statistics

Some members hold more than one type of account within the GES Fund. As at 30 June 2005, the GES Fund had 266,605 individual members, who held 304,666 separate accounts.

Total member accounts as at 30 June 2005

	2004	2005
West State Super	217,568	232,677
Gold State Super (contributors)	24,898	23,914
Deferred Accounts ¹	37,257	36,088
Retirement Access	485	793
Retirement Income Allocated Pension	163	330
Retirement Income Term Allocated Pension	N/A	7
Pension Scheme (contributors)	530	474
Pension Scheme (pension recipients)	10,716	10,378
Provident Account	5	5
Total Member Accounts	291,622	304,666



¹ Deferred Accounts include those previously reported as Gold State Super Deferred and Non-Contributory (3%) Scheme, as well as transferred benefits from the Pension Scheme or other predecessor public sector funds. Many members with these accounts also hold Gold State Super and/or West State Super accounts, and their Deferred Accounts were not reported in previous years. Reporting all deferred accounts separately is consistent with the development of the new cost allocation model, allowing greater clarity in understanding costs at the account level.

Cost Management

GESB aims to drive cost efficiency and process improvements throughout the business.

Strategic Direction

Continuous changes to Commonwealth legislation, such as choice of fund, and changes to the external market, such as the increased focus on wealth management and the consolidation of superannuation funds, means that GESB operates within a dynamic and competitive superannuation industry. Irrespective of whether choice of fund applies to public sector employees' superannuation guarantee contributions, it is probable that in a choice of fund environment, GESB will be exposed to increased competitive pressure from other funds. GESB already competes within the superannuation market for its retirement products and voluntary contributions.

Consistent with independent expert findings and recommendations, GESB is working towards positioning its business and developing its organisational capacity to enable it to continue to match performance to the market. To this end, the Board and Executive recently reviewed and confirmed GESB's strategic direction. To improve the long-term financial security of members, GESB will continue to focus on delivering competitive performance in areas of investment, member services, cost management and people management and to deliver a sound value for money proposition to members in a sustainable manner through appropriate pricing, competitive returns and active cost management.

Planning Process

With a continued focus on performance, the annual strategic planning process was integrated with the strategic risk review and Section 42 of the *Financial Administration and Audit Act 1989* budget estimates preparation. This enabled the Section 42 budget estimates to be submitted to the Minister two months ahead of previous schedules. Business deliverables and performance indicators were aligned with GESB's strategic priorities and were cascaded down to the branch level. Additionally, business risks were incorporated into the divisional annual business plans.

A direct outcome of the planning process was GESB's 2005/2006 Statement of Corporate Intent (SCI) and 2005/06-2009/10 Strategic Development Plan (SDP). GESB's strategic direction and strategic plan are based on GESB's expected business and market environment in the next five years. Although there is no statutory requirement for GESB to prepare an SCI and SDP, GESB has elected to incorporate this initiative into its strategic planning cycle, as it is consistent with GESB's commitment to transparency and accountability for performance in support of its vision, mission and corporate objectives. The SCI and SDP were approved by the Minister and Treasurer in May 2005.

Financial Management

GESB received an unqualified audit opinion in relation to the fair presentation of the financial statements for the year ended 30 June 2004. However, a qualified audit opinion was received in relation to GESB's internal controls. The Auditor General's audit opinion on the controls was qualified in respect of two issues relating to bank reconciliation, and the reconciliation of the general ledger clearing accounts. In relation to the bank reconciliation, this issue has been resolved. In relation to the reconciliation of the general ledger clearing accounts, the Office of the Auditor General (OAG) performed an interim review of GESB's progress on this issue in February 2005. The OAG advised GESB's Audit and Risk Committee that significant progress had been made in resolving the issue of clearing accounts.

GESB has undertaken a review to understand the impact of Australian Equivalents of International Financial Reporting Standards (IFRS) for the year ending 30 June 2006 together with comparatives for the year ending 30 June 2005. The initial assessment of the introduction of IFRS to GESB is that there will be minimal overall impact to its net assets and member balances. A more detailed review of IFRS is in progress to identify the disclosure impacts on the financial statements of GESB.

A number of significant improvements to the GESB's Enterprise Management Accounting System were successfully implemented to enhance the ability to produce timely, relevant and accurate financial reports. These improvements included a new chart of accounts which reflects the organisational structure, new management reports which support changes to the chart and new procurement approval groups which provide improved control and accountability.

**We're focused
on increasing our
competitiveness in
investment, member
and employer services,
cost management and
people management.**

During the year, the Cost Allocation Model was reviewed to confirm the drivers, the cost allocation parameters and assumptions.

A Simplification of Superannuation Administration program is currently being undertaken which aims to align GESB's current business processes to industry standards to improve cost effectiveness and efficiencies. The program will enable GESB to improve the delivery of new products to members.

West State Super Fee Structure

A new West State Super fee structure was implemented in April 2005 to ensure more equitable recovery of the costs of managing members' superannuation accounts and providing member services. This fee structure also addresses one of the recommendations of the Auditor General's Performance Examination Report, i.e. that GESB should improve its cost and pricing strategies by developing a fee strategy to fully recover the costs for West State Super. The new fee structure of a fixed \$60 per account pa plus a 0.1% asset fee (capped at \$150 pa) will also ensure full cost recovery within the first full financial year of its application.

GESB's administration costs are highly competitive with similar schemes in the Australian market. Several sources within the superannuation industry provide comparative performance data which supports the competitive nature of GESB's administration costs.

The latest survey by SuperRatings⁵, an independent Australian company that specialises in researching Australia's major superannuation funds, shows that GESB's average cost (excluding investment expenses and capital costs) per member as at June 2004, was \$85 per member, just under the median of \$86 per member for all superannuation funds.

Project Central

GESB's project delivery capability was enhanced in January 2005 to ensure that projects are successfully delivered within agreed timeframes, budgets and that they achieve their stated benefits. Project Central is the custodian of GESB's project management methodology with a range of guidelines, tools and practices to guide people through the methodology and support Project Managers in the successful delivery of projects. Deliverables achieved since the implementation of Project Central include the publication of a consolidated runway view of all strategic initiatives and major projects as well as prioritisation based on cost, benefits, risk and alignment to strategy.

Systems Management

Benchmarking of information technology costs has also continued during the year by comparing GESB's technology expenditure against peer public sector superannuation providers. The IT outsourcing alliance continued to provide professional support in the provision of application development, technology infrastructure and IT helpdesk services.

A review of the Business Development and Support function was undertaken which recommended devolving responsibility for business analysis to individual business units within GESB. This has enabled functions such as system change requirements, control and testing to be carried out within these business units resulting in greater ownership and accountability.

Significant progress was made in implementing an information security framework in line with the Australian Standard 17799:2001 to ensure all of its information assets are protected in an appropriate manner.

Our IT cost efficiency was benchmarked this year against our public sector peers.

Looking ahead

1. *Continue to improve the financial performance and management processes*
2. *Align GESB's financial and business processes to industry standards*
3. *Test the business viability of divesting ownership of ICT asset base*

⁵ SuperRatings' Rating and Benchmarking Report, 2004

People Management

GESB aims to align its efforts and capabilities and maintain momentum for its strategic direction.

Developing GESB's People

GESB continues to focus on improving its capacity to attract and retain employees who are capable of improving the long-term results for members.

Work commenced on organisational culture alignment, through the GESB Organisational Culture workshop with the Executive Management Group in August 2004, followed by Leadership Journey workshops and 360 feedback processes for the Executive and senior managers. A Leadership Competency Model was developed, articulating competencies that differentiate superior from average performance in leaders. All Executive and Managers who took part in the Leadership Journey workshop received an assessment and developmental feedback relating to the model. The model will be incorporated into the personal business planning process, and used for recruitment purposes during 2005/06.

GESB launched a 'values champion' scheme in 2004/05 to further reinforce alignment of GESB's people with GESB's corporate values. The scheme is a valuable means of recognising and rewarding employees who are outstanding role models of the corporate values. Winners are announced at the quarterly All of Staff Briefing and receive recognition.

A best practice initiative was undertaken to build organisational capability by supporting staff in meeting PS 146 accreditation. This is a standard requirement for licensed superannuation entities. Thirty of the staff who enrolled for full PS 146 compliance accreditation have achieved it, approximately two thirds of the population enrolled for that stream. The remainder are on track to complete full accreditation by 30 December 2005. Another group were enrolled to complete only the first module of the training, and 24 out of 25 have done so. On completion of accreditation, staff must meet the ongoing professional development requirements, amounting to 20 hours of professional development per year. GESB has made arrangements to provide this. The PS 146 accreditation training will be offered to all new employees in the customer contact areas of the organisation to maintain high standards of industry knowledge and proficiency in their dealings with customers.

Our 'values champion' scheme has helped reinforce our corporate values.

The Personal Business Planning Process continued to be embedded as part of creating performance focused culture across GESB. The annual strategic planning process ensures that strategic initiatives are cascaded into annual business divisional plans and personal business plans. Additionally, an evaluation of the 2004 Business Planning Process was carried out to identify improvements for the process for 2005. Training was delivered to assist staff and managers in this process.

As part of the retention and development program, employment materials such as job description formats, employment advertisements and website employment information were enhanced. New recruits to GESB now receive a comprehensive induction kit and are linked to a mentor for their first three months.

The Concept Personnel Payroll package was introduced last year. This enables all staff to view online details of their employment entitlements via a Webkiosk. This system is complementary to changes to whole of government advertising policy, with the introduction of an electronic job board for all government vacancies. Access has been further enhanced ensuring further choice and flexibility for all staff. For example, staff can now view Group Certificates online.

Reviews of each major functional area commenced in 2003, with the aim of improving organisational capability, efficiency and responsiveness. During 2004/05, further functional reviews were undertaken, resulting in identification of new capability requirements and streamlining of existing functions to improve staffing efficiencies. The functions of the Corporate Services Division were transferred to the Strategy and Finance Divisions. The Marketing Division became a Marketing and Sales Division, consolidating all sales and member services functions to enable clearer reporting lines and greater effectiveness in delivering products and services to members.

We're working to attract and retain employees who improve results for our members.

A Healthy and Safe Workplace

GESB staff participated in a range of initiatives offered to promote their wellbeing and health. One of the main programs was the StateWest Corporate challenge where staff were provided with the opportunity to participate as teams in a variety of events. This year, GESB entered teams in the volleyball, soccer, ten-pin bowling and croquet competitions. These were lunchtime events played indoor and outdoors in close proximity to the Perth central business district. A Walking Club was also formed that caters for all levels of fitness and takes place three times a week. Wellness sessions on topics such as work/life balance, retirement and ergonomic training were well attended. A group of 10 GESB staff have also been trained as mentors to assist with ergonomic assessments and issues. Over 50% of GESB staff took up the opportunity to have a free flu inoculation this year.

GESB staff are encouraged to contribute to the development of the broader community. GESB continues to provide staff with flexible work arrangements to enable them to volunteer their time in community projects. Staff are also able to donate to United Way charity through the payroll system.

A number of staff participated in the 'Worlds Greatest Shave' and together raised \$2,053 for the Leukaemia foundation.

We encourage our staff to contribute to the development of the broader community.

Number of Employees as at 30 June 2005

GESB's Full Time Equivalent Employee (FTE) at the end of 2004/05 was 183, below the 189 FTE reported at the end of 2003/04.

Employees (FTE)	2002	2003	2004	2005
Permanent	150	161	151	155
Contract	35	33	38	28
Total	185	194	189	183

There were no industrial disputes this year and only one grievance claim which was successfully resolved internally.

There was one occurrence in 2004/05 which resulted in compensation payments for lost time from work and several medical bills including hospitalisation and an operation.

Health and Safety Indicators

Compensation payments	\$23,738
Occupational Health and Safety costs	\$4,500
Number of occurrences	1
Worker's compensation premium	\$47,175

Looking ahead

1. Continue to review functional requirements, and to identify and resolve capability gaps to position the organisation to match market and meet member needs
2. Enhance GESB's approach to developing staff who join the organisation to ensure that they quickly develop a comprehensive understanding of GESB's products, systems and services so that they can deliver excellent service to members
3. Extend initiatives to develop high performing leaders who can guide the organisation to deliver on its corporate objectives
4. Continue to build a flexible, adaptive and performance-focused culture

Corporate Overview

Enabling Legislation

GESB was established under the *Government Employees Superannuation Act 1987* and was continued as the same legal entity under the *State Superannuation Act 2000* when the previous Act was repealed. GESB is a body corporate with perpetual succession and a crown agency. Proceedings may be taken by or against GESB in its corporate name.

The functions of GESB are to:

- Administer the *State Superannuation Act 2000*
- Manage the Government Employees Superannuation Fund (the GES Fund)
- Administer the schemes comprising the GES Fund
- Provide information, advice and assistance to the Minister and Treasurer on matters relating to superannuation
- Provide members with other superannuation and retirement products and services in accordance with the *State Superannuation Regulations 2001*
- 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.

GESB has power to do all things necessary or convenient to be done for, or in connection with, the performance of these functions including the following:

- Acquiring, holding, dealing with and disposing of property of any sort
- Entering into a contract or arrangement with any person under which that person is to provide, professional, technical or other assistance to GESB; or do for GESB anything that GESB could do; and pay out of the GES Fund fees charged by the person in accordance with the contract or arrangement
- Entering into a contract or arrangement with any person under which GESB is to provide products and services to that person and charge fees for providing those products and services
- Promoting and marketing GESB and its activities, products and services
- Conducting research
- Producing and publishing information
- Doing anything that a body corporate may do

GESB administers the following seven schemes in accordance with the *State Superannuation Act 2000* and *State Superannuation Regulations 2001*:

- **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 is open to new members.
- **Gold State Super** is a defined benefit, lump sum superannuation scheme that has been closed to new members since 1995.
- **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.
- **Retirement Income Allocated Pension** is an allocated pension that enables retiring members to keep their funds with GESB in a concessional tax 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.
- **The 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.
- **The 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.



Composition of the Board



Phil Harvey (BE (Hon), BCom, Grad Dip NAAC)

Chairman

Mr Harvey was appointed to the Board for a term of five years from 7 March 2003 to 6 March 2008.

Mr Harvey is the Chairman of LNG Ltd. He is a Fellow of the Institute of Company Directors and was formerly a Fellow of the Institution of Engineers, Australia. He has been President of the Rotary Club of Perth, and is a Board Member of United Way, Western Australia.

Mr Harvey is a Western Australian, educated at Claremont Primary School, Perth Modern School and the University of WA, where he completed degrees in engineering and commerce.

Beginning as a junior transmission line design engineer in 1966, he 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 AlintaGas, from where he retired from full-time employment in 2001. Mr Harvey has a strong background in business development, leadership and change management.



Matt Farrell (BSc, Dip Ed, MAIP, FAICD)

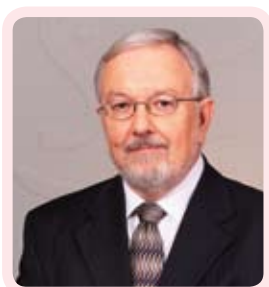
Deputy Chairman, Member Director

Mr Farrell was first elected to the Board on 8 February 1996. His current term expires on 7 February 2008.

Mr Farrell is a former Vice President and Industrial Advocate of the State School Teachers' Union of Western Australia who has been involved in the union movement for many years. In 2001 he was made a life member of the Australian Education Union.

He retired in December 2004 from a lengthy career as a lecturer in mathematics in Technical and Further Education (TAFE).

Mr Farrell holds a Bachelor of Science Degree, a Diploma in Education and a Post Graduate Diploma in Applied Physics. He also holds a Company Directors Course Diploma and is a Fellow of the Australian Institute of Company Directors.



Harvey Collins (BBus, FCPA, FSIA, FAICD)

Employer Director

Mr Collins was appointed to the Board for a term of five years from 30 October 2004 to 29 October 2009.

Mr Collins has a strong background in banking and finance, as a former General Manager and Chief Financial Officer for Challenge Bank Limited and Director for the listed investment company, Chieftan Securities Limited. He is also currently Chairman of HBF Health Funds Inc. and a non-executive director of Australian Stock Exchange listed companies, IBT Education Limited and Abra Mining Limited. He was interim Managing Director of Western Power Corporation for five months during 2004 and has remained on the Corporation's Board as a non-executive director.

He holds a Bachelor of Business (Distinction) from the WA Institute of Technology and a Post-Graduate Diploma in Financial Studies, University of Strathclyde, Glasgow, UK. He is a Fellow of the Australian Institute of Company Directors, a Fellow of the Australian Society of Certified Practising Accountants, and a Fellow of the Securities Institute of Australia. He has served as Western Australian State Chairman and a National Council member of the Securities Institute.



Michele Dolin (BA, MA, MBA, FAICD, FAIM, FAIBF)

Employer Director

Ms Dolin was appointed to the Board for a term of five years from 22 July 2003 to 7 July 2008.

In addition, Ms Dolin was appointed as Chief Executive Officer of GESB on 28 July 2003.

Prior to this appointment, Ms Dolin's career had been in financial services. As a finance sector executive, Ms Dolin held a number of senior executive appointments with leading financial institutions. She was first appointed a General Manager with Challenge Bank Ltd in 1989 and later held General Manager positions with Westpac Banking Corporation and BankWest. Prior to banking, Ms Dolin was with Price Waterhouse and Colonial Mutual.

Ms Dolin holds a Master of Business Administration Degree from Melbourne University and a Master of Arts Degree from Michigan State University as well as a Bachelor of Arts Degree from the University of Maryland. She is a Fellow of the Australian Institute of Company Directors, the Australian Institute of Management and the Australasian Institute of Banking and Finance.



Cheryl Robertson (MAICD)

Employer Director

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

Up until 30 June 2005, Ms Robertson was State Manager of Sun Microsystems Australia, an international IT company.

With 20 years experience in the IT industry, her areas of expertise lie in management, sales, marketing, IT training and systems engineering. She is a Member of the Information, Communications and Technology Advisory Board for the Minister for Industry, Technology, Tourism and State Development, formerly a Committee Member for the WA Government Broadband Advisory Group and the Industry Development Advisory Group Branch, and a Board Member of the Australian Computer Society Foundation. Ms Robertson has also previously held the position of E-Commerce Executive Director for the Australian Information Industry Association WA.



Derek Spray (MAICD)

Member Director

Mr Spray was elected to the Board for a term of three years commencing on 4 July 2003 expiring on 3 July 2006.

Mr Spray is a seventh generation Australian, whose direct ancestor, John Spray, was transported to Australia on the Leviathan in 1828. However, Mr Spray was born in England, educated at Hastings Grammar School and University of London and migrated to Australia in 1981.

Mr Spray is an IT professional with the Department of Justice, a CPSA/CSA Councillor and a director of companies involved in the finance, insurance and travel industries.

His experience in the IT industry has given him broad experience which includes public service, consultancy, manufacturing, insurance and merchant banking. His areas of expertise include information systems management, business operations management and product management.



Peter Thomson (MAICD)

Member Director

Mr Thomson was elected to the Board for a term of three years from 17 September 2002 expiring on 16 September 2005.

Mr Thomson is currently the Administrator for the Liquor Hospitality and Miscellaneous Union and has an accounting background which includes experience as a small business proprietor and as the accountant at the City of Bunbury and mentoring Aboriginal business ventures with the Aboriginal Business Development Corporation.

Corporate Governance

The Board of Directors (the Board) of GESB is committed to achieving a high standard of corporate governance to ensure that GESB achieves its vision, mission and corporate objectives.



Board of Directors

The Board comprises of seven directors. The Board sets, monitors and reviews the strategic direction of GESB and performs GESB's functions under the State Superannuation Act 2000 (SSA). It is responsible to the Minister for Government Enterprises.

*Peter Thomson,
Matt Farrell, Phil Harvey,
Michele Dolin, Derek Spray,
Harvey Collins, and
Cheryl Robertson.*

Board appointments and elections

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

- The Chairman is an independent Director 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 under 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 the SSA.

Changes in Membership of the Board of Directors

Mr Matt Farrell was reappointed in his role of Member Director and Deputy Chairman from February 2005.

Mr Peter Thomson was reappointed in his role of Member Director.

Meetings

The Board meets on a monthly basis. During 2004/05 the number of meetings attended by each Director is indicated below:

Director	No. of meetings held	No. of meetings attended
Mr Phil Harvey Chairman	12	12
Mr Matt Farrell Deputy Chairman Member Director	12	12
Mr Harvey Collins Employer Director	12	11
Ms Michele Dolin Employer Director	12	12
Ms Cheryl Robertson⁽¹⁾ Employer Director	12	9
Mr Derek Spray Member Director	12	12
Mr Peter Thomson Member Director	12	11

(1) Ms Cheryl Robertson took a leave of absence for maternity leave from September 2004 to November 2004. Ms Robertson attended all of the other nine Board meetings.

Material Interests

Directors must 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

A Board Director must disclose any material or personal interests in a matter involving the Board or GESB and abstain from discussions or voting on any issues where his or her judgment may be influenced, or be seen to 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.

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 their 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

Director Education

The Directors recognise that they must develop and maintain the knowledge required to perform their duties and ensure their knowledge of superannuation legislation, Director's duties and GESB's duties as well as key investment principles and corporate governance related issues remains up to date. The Board has developed a Board Directors' education program for this purpose.

New operating standards have been developed by the Australian Prudential Regulatory Authority covering the fitness and propriety of superannuation trustees. The standards require trustees to be assessed for eligibility for a trustee's licence. The Board determined that GESB would move towards a similar fit and proper standard for its Board Directors. This requires the Board Directors to undertake a minimum of 20 hours per annum of professional development to meet the fit and proper standard.

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. The Chief Executive Officer's remuneration is set by the Salaries and Allowances Tribunal.

Corporate Governance Policy Framework

The Board has adopted a Corporate Governance Policy Framework, which comprises governance policies in relation to:

- The Board's vision and its corporate objectives in respect of GESB
- The relationship between the Board and management
- The Chief Executive Officer being accountable to the Board for achieving the strategies and objectives set by the Board
- The limitations placed on the CEO's authority
- The Board, including the role and conduct of the Board, Board Committees, Chairman and CEO, and Board performance assessment

Compliance with the policies is monitored on an ongoing basis.

Risk and Compliance Management

During 2004/05, GESB strengthened its risk management practices for strategic and business risks with a range of initiatives that are consistent with the new Australian Standard 4360:2004 and the Australian Prudential Regulatory Authority (APRA) best practice. Strategic risks were fully integrated into the strategic planning process and are mitigated by strategic initiatives. The business risks arising from GESB's key processes were also revised as part of the business planning process and were integrated into the Divisional annual plans to ensure the treatment of the risks are covered in each Division's daily operations. Reporting on business risks has also been integrated into the regular performance reporting cycles, such as 90 day plans.

Risk management is an integral part of GESB's investment process and policy. It manifests itself in the 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 by the Board and regular rebalancing

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 has 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 best practice, is in place and is reviewed annually by the Board.

As part of a review of the Compliance Framework which commenced in February 2005 and will be completed in 2005/06, enhanced fraud prevention practices have been integrated into GESB's compliance program.

GESB will be undertaking further enhancements to its risk and compliance management frameworks and policies to ensure consistency with Australian Standard 4360:2004, APRA and Australian Securities and Investment Commission standards.

Ethical Standards

The Board acknowledges the need for, and continued maintenance of high standards of ethical conduct for Directors, management and staff. A code of conduct for the Board has been adopted under the corporate governance policies.

GESB has a Code of Conduct for management and staff consistent with the Public Sector Code of Ethics. This Code of Conduct is currently under review. Corporate values have been articulated for the organisation, and behaviour statements have been developed, based on staff focus groups, climate survey feedback, and informal discussions. These will be incorporated into the revised Code of Conduct.

Board Committees

Three Board Committees assist the Board to carry out its duties - the Audit and Risk Committee, the Corporate Governance Committee and the CEO Performance Committee. The conduct of each committee is governed by their respective charters and/or more generally by the Board's 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 and controlling of business risks.

The members of the Audit and Risk Committee during 2004/05 and the number of meetings which they attended is indicated in the table below:

Director	No. of meetings held	No. of meetings attended
Mr Matt Farrell Chairman	5	5
Mr Harvey Collins	5	4
Ms Cheryl Robertson	5	4

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 2004/05 and the number of meetings which they attended is indicated below:

Director	No. of meetings held	No. of meetings attended
Mr Phil Harvey Chairman	3	3
Ms Michele Dolin	3	3
Mr Peter Thomson	3	3

CEO Performance Committee

The Board's CEO Performance Committee monitors the CEO's performance in accordance with the governance policies on CEO Authority Limits.

The members of the CEO Performance Committee and the number of meetings which they attended during the 2004/05 period is indicated below:

Director	No. of meetings held	No. of meetings attended
Mr Phil Harvey Chairman	1	1
Ms Michele Dolin	1	1
Mr Peter Thomson	1	1

Organisational Structure



Compliance Requirements

GESB is required to comply with a range of Commonwealth and State Legislation. Appendix 4 contains the complete list of the legislation impacting on GESB. The following sets out information required by legislation to be included in the Annual Report.

Heads of Government Agreement

The Western Australian Government is a signatory to a Heads of Government Agreement with the Commonwealth in respect of the schemes administered by GESB. The schemes are exempted from the Commonwealth *Superannuation Industry (Supervision) Act 1993*.

The Commonwealth has recognised that the controls over these schemes are already extensive and subject the GES Fund to a significant level of prudential control and public and government scrutiny. In return the State Government has made the commitment that the accrued benefits of members will be fully protected and that the exempt schemes will conform to the principles of the Commonwealth's Retirement Income Policy as reflected in the relevant Federal legislation.

GESB monitors adherence to the agreement on behalf of the State Government and provides advice to Government on the need for any changes to the scheme rules to ensure the State Government continues to meet its commitments under the agreement. GESB also liaises with and provides information to relevant Commonwealth agencies as required under the agreement.

Freedom of Information

GESB provides members with access to all of their personal and account information without the need to make a formal Freedom of Information application in accordance with the *Freedom of Information Act 1992*.

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 GESB's website and at GESB's reception.

Compliance with Public Sector Standards in Human Resource Management

In performing its functions, GESB has complied with the Public Sector Standards in Human Resource Management, the Western Australian Public Sector Code of Ethics and GESB's Code of Conduct.

One formal grievance was lodged and resolved internally. No allegations of breach of the Public Sector Standards were received.

Compliance with the Standards and Codes was reviewed via an internal audit of the Staff Treatment Policy in May 2005.

Equal Employment Opportunity / Youth Outcomes / Diversity

In 2004/05 the proportion of females in the organisation was 54.6%.

The number of women working at senior levels has continued to increase with 16.83% of GESB's females working at the Tier 2/3 Management level. GESB's equity index, which looks at the distribution of females across all levels of the workforce, increased from 88% to 97%. An index figure of 100 indicates an even distribution of men and women across all levels of the organisation. GESB is well ahead of the 2005 Whole of Government target of 65.

Diversity targets were exceeded in the areas of employment of people from culturally diverse background reaching 16.4% which is well ahead of the 2005 Whole of Government target of 6.7%. Employment figures for people with disabilities is 1.5% and youth employment decreased from 4.3% to 2.12% which is below the target of 5.5%.

Disability Services Act

GESB is committed to ensuring that all members have access to information about their superannuation entitlements, regardless of impairment. GESB ensures members have a range of alternative channels for receiving information about their superannuation, including email, internet, telephone and face to face communication, so that members can opt for a communication channel that best suits their needs. Our six-monthly member statements are translated into a suitable format for visually impaired members. A further improvement has been the increase in the access to member account information online, through the introduction of the Member Online service. This is our secure online service giving access to member accounts 24 hours a day. Members can access account balances, update contact details, check transaction history and view member statements.

Similarly, employees with visual or hearing impairments can access their employment details online through the Web Kiosk. For example, all employees can now make

leave bookings, view and print payslips and view Group Certificates online. Prospective employees can use online communication channels to find out about jobs at GESB through the government electronic job board, and the GESB website.

GESB continues to provide adaptive equipment such as a Braille, JAWS (a voice feedback program) and scanners for our vision-impaired employees to assist and enhance their range of work. On the job training opportunities have also been arranged to increase the employment options of our vision-impaired employees.

Changes have been made to our emergency evacuation plan including improvements to signage to ensure the safety of all staff including those with disabilities. All policies, procedures and some manuals are available electronically via our Intranet site. GESB's Disability Services Plan is under review, and being updated to ensure that it remains current.

Evaluations

In June 2004, the Office of the Auditor General (OAG) released its Performance Examination – Administration of Superannuation Report, conducted under section 80 of the *Financial Administration and Audit Act 1985*. The report was tabled in Parliament on 30 June 2004.

The Auditor General reported that the two areas directly impacting members which are investing funds and paying benefits were effectively managed by GESB. The report identified areas for improvement in containing administration costs, processing contributions and regulatory supervision of GESB. Many of the actions raised in the performance review were already in the process of being addressed by GESB through its strategic initiatives and as part of the broader strategic drive by GESB to face the challenges of a rapidly evolving superannuation industry. GESB has provided a report to Parliament's Public Accounts Committee detailing what actions have been taken in regard to the recommendations.

GESB participated in the latest SuperRatings⁶ survey which shows that GESB's administration costs, at \$85 per member, are just under the median of \$86 per member for all superannuation funds. The same SuperRatings survey places GESB's fees as very competitive against the top five superannuation funds. The survey indicated that GESB's investment performance was sound and is positioned in the second quartile.

Further supporting the SuperRatings survey, the March 2005 Rainmaker⁷ survey, ranks the GES Fund as third best overall according to the Total Expense Ratio (TER), where overall fees are calculated for a member earning around \$50,000 per annum and who has \$50,000 in their superannuation fund's default investment option. The TER takes into account an overall level of fees including contribution fees, exit fees, ongoing fees, member fees and investment fees.

Record Keeping Plans

A Record Keeping Plan was developed and forwarded to the State Records Office for approval in accordance with the *State Records Act 2000*. The State Records Office approved GESB's Record Keeping Plan in October 2004. To support the implementation of this plan, a Record and Document Management strategy has been developed and implementation of this strategy has commenced.

Training is offered to all staff to ensure that they are aware of their record keeping responsibilities. More formal, frequent and specific training is provided to Records Management staff.

Public Interest Disclosure

Public interest disclosure policy and procedures were maintained and a new Public Interest Disclosure Officer was appointed in compliance with the *Public Interest Disclosure Act 2003*. No public interest disclosures were made in 2004/05.

Corruption Prevention

During 2004/05 GESB strengthened its risk and compliance management practices for strategic and business risks in line with the Australian Standard 4360:2004 and the Australian Prudential Regulatory Authority (APRA) best practice. Enhanced anti fraud and corruption practices have been integrated into GESB's compliance program. These include a fraud control policy which was approved in September 2004. A fraud control plan is being developed to implement the policy. This will be based on industry practice including the relevant Australian Standards and APRA guidelines, and will include references to State legislation where applicable (i.e. *Public Interest Disclosure Act 2003* and *Corruption and Crime Commission Act 2003*).

⁶ SuperRatings' Rating and Benchmarking Report, 2004

⁷ <http://www.rainmaker.com.au>

Electoral Act

Section 175ZE of the *Electoral Act 1907* requires the disclosure of details of expenditure incurred during the year for advertising, market research, polling, direct mail and media advertising.

	2002/03	2003/04	2004/05
Advertising/Marketing Agencies			
Cogent	Nil	\$1,423 ¹	Nil
Core Marketing Group	\$70,536	\$75,198	Nil
JDA	\$204,791 ¹	\$2,646 ¹	Nil
REB	Nil	\$22,548	Nil
Marketforce	Nil	\$30,038 ¹	\$28,740 ¹
Market Research Organisations			
Research Solutions	\$179,142	\$202,852	\$182,800
TNS	Nil	\$17,666	Nil
Polling Organisations	Nil	Nil	Nil
Direct Mail Organisations			
Zipform	\$36,525 ²	\$3,875 ²	\$1,392 ²
Media Advertising Organisations			
Marketforce Productions	\$36,675	\$14,948	\$4,202
Media Decisions	\$14,315	\$1,121	\$94,224
Total	\$541,984	\$372,315	\$311,358

¹Excludes printing costs

²Excludes postage costs

Sustainability

As a superannuation fund, GESB has a significant impact on its members as it helps them prepare and invest for retirement. GESB's ability to adopt sustainable business practices will ensure better outcomes for its members, staff and the community at large.

GESB's vision is to improve the long-term financial security of its members, which contributes to a more sustainable future for its members. Fundamental to this vision is the provision of competitive superannuation products and services with sound returns and low fees, managed efficiently to long-term objectives. GESB submitted its 2005/07 Sustainability Action Plan as part of its Strategic Development Plan for 2005/06 – 2009/10 which has been approved by the Minister. Specific actions in the 2005/07 Sustainability Action Plan are briefly outlined as follows:

- Providing members with a range of competitive products and investment options that help optimise long-term wealth generation
- Delivering sound investment performance with a low fee structure
- Improve environmental performance through minimising waste and resource consumption and maximising recycling
- Encouraging employees to support sustainability and diversity initiatives

GESB is required to report on its compliance to the Sustainability Code of Practice. Appendix 6 provides a description of GESB's progress against its 2005/06 Sustainability Action Plan using the triple bottom line approach. The following additional sustainability initiatives were undertaken by GESB in 2004/05:

Waste Paper Recycling and Waste Audit

As a tenant in the Central Park building, GESB participated in a waste paper recycling program. In 2004/05, the Central Park Visy Program recycled 297 tonnes of paper, plastic, cardboard and glass.

GESB undertook a waste audit and the proposed recommendations are currently being reviewed.

Energy Smart

Although not required to comply with the Energy Smart Initiative, GESB supports these initiatives as part of its tenancy of the Central Park building. Central Park has a commitment towards maintaining an energy rating of 4.5 out of a possible 5 stars for its energy efficiency under the Australian Building Greenhouse Rating Scheme. The current rating is being assessed. The Central Park's environmental policy included a paper recycling program, a CFC management program, microbial controlling and cooling water management. Central Park also continues to use Western Power's green power initiative, Natural Power.

GESB Electricity Usage	Baseline Data (2004/05)
Energy Consumption (Mj)	2,287,591
Energy Cost (\$)	\$57,021.80
Cost per Square Metre	\$15.54
Cost per Employee (FTE & IT Outsourcing Alliance)	\$266.46

Water Audit

GESB undertook to investigate the feasibility of carrying out a water audit in its Sustainability Action Plan with the aim of minimising its water consumption. However, as Central Park does not have water meters for individual tenants a water audit could not be done. The Central Park management is undertaking several sustainability initiatives such as replacing plants and turf in the park with drought resistant varieties.

A close-up photograph of a hand clicking a computer mouse on a wooden desk. The mouse is white with a black cord. The background is blurred, showing a wooden surface and a dark object in the upper right.

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 Administration and Audit Act 1985* from proper accounts and records, to present fairly the financial transactions for the year ended 30 June 2005, and the financial position as at 30 June 2005.

At the date of signing, we are not aware of any circumstances which would render the particulars included in the financial statements misleading or inaccurate.

Larry Rudman
Principal Accounting Officer
Chief Financial Officer



31 August 2005

M Dolin
Director
Chief Executive Officer



31 August 2005

P J Harvey
Chairman



31 August 2005

Financial Statements

Statement of Changes in Net Assets for the Year Ended 30 June 2005

	Notes	2005 \$'000	2004 \$'000
NET ASSETS AVAILABLE TO PAY BENEFITS AT THE BEGINNING OF THE FINANCIAL YEAR		3,619,222	2,706,392
REVENUE FROM ORDINARY ACTIVITIES			
Investment Income			
Realised Income	2	173,530	133,942
Realised Changes in Net Market Value of Investment Assets	2	115,881	96,799
Unrealised Changes in Net Market Value of Investment Assets	2	333,541	293,004
		622,952	523,745
Less: Investment Expenses	2	(13,630)	(10,207)
		609,322	513, 538
Superannuation Income			
Contributions			
Members		185,544	130,325
Employer	4a	800,291	749,583
Rollover into Retirement Products		13,631	5,321
Inward Transfer from Other Funds		115,312	79,934
Other Income	4c	175	254
		1,114,953	965,417
Total Revenue from Ordinary Activities		1,724,275	1,478,955
EXPENSES FROM ORDINARY ACTIVITIES			
Superannuation Benefit Payments	4b	495,256	490,453
Administration Expenses	9	25,368	24,538
Changes in Net Market Value of Other Assets	9	6,341	5,148
Loan Interest	16	38,993	40,308
Total Expenses from Ordinary Activities		565,958	560,447
INCOME TAX EXPENSE	10	(9,918)	(5,678)
NET ASSETS AVAILABLE TO PAY BENEFITS AT THE END OF THE FINANCIAL YEAR		4,767,621	3,619,222

TO BE READ IN CONJUNCTION WITH THE ACCOMPANYING NOTES

Statement of Net Assets as at 30 June 2005

	Notes	2005 \$'000	2004 \$'000
Assets			
Investment Assets	2	5,355,781	4,209,365
Property, Plant and Equipment	12	10,869	15,040
Sundry Debtors	13a	8,918	32,057
Future Income Tax Benefit	10	-	27
Prepayments		2,389	2,569
Total Assets		5,377,957	4,259,058
Liabilities			
Contributions Paid in Advance		1,623	2,423
Unpaid and Accrued Liabilities		2	6,355
Sundry Creditors	13b	34,901	36,994
Provision for Employee Entitlements	14	2,652	2,571
Provision for Superannuation Liabilities	15	2,890	2,851
Interest Bearing Liabilities	16	565,569	584,611
Current Tax Liabilities	10	1,997	3,753
Deferred Tax Liabilities	10	702	278
Total Liabilities		610,336	639,836
NET ASSETS AVAILABLE TO PAY BENEFITS		4,767,621	3,619,222

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, Statements of Accounting Concepts and other authoritative pronouncements of the Accounting Standards Board, and UIG Consensus Views as applied by the Treasurer's Instructions. Several of these are modified by the Treasurer's Instructions to vary application, disclosure, format and wording. The *Financial Administration and Audit Act 1985* and the Treasurer's Instructions are legislative provisions governing the preparation of financial statements and take precedence over Accounting Standards, Statement of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board, and UIG Consensus Views. 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. There are no such modifications contained within these Statements.

The accounts have been prepared in accordance with the format prescribed under paragraph 22(a) of the Australian Accounting Standard-AAS 25, "Financial Reporting by Superannuation Plans". 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.

The Government Employees Superannuation Board (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 Financial Statements of amounts accrued to the benefit of members' accounts for any of the schemes.

The accounting policies adopted are consistent with those of the previous year.

(b) Measurement of investment assets

As at the reporting date, investment assets of the Fund have been measured at net market value after allowing for estimated costs of realisation. Changes in the net market value of investment assets 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.
- Education Department Building Financing Loan, by an independent qualified consultant.
- Properties, by independent valuations obtained from qualified valuers. Independent valuations are obtained once a year.
- Units in managed funds, by reference to redemption prices at 30 June each year.
- Derivatives are measured at net market value.

(c) Measurement of other non-current assets

Fixtures, fittings, equipment and software are carried at the written down value and depreciated over expected useful life ranging from four years to eleven years, depending on the nature and use of the asset and what is considered a reasonable approximation of market value.

For Computer Software Development Projects covering several financial years, subject to meeting predetermined criteria, costs are accumulated as "Works in Progress" until finalised and in production, at which time costs are capitalised and amortised over an estimated useful life of 5 years.

Items costing less than \$1,000 are expensed in the year of acquisition.

(d) Income tax expense

The *Commonwealth Income Tax Assessment Act* and Regulations were amended on 30 June 1997 declaring the Government Employees Superannuation (GES) Fund 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 GES Fund and are subject to income tax.

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 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 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.

The Fund adopts the liability method of tax effect accounting.

Income tax expense is calculated on the operating surplus or deficit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried in the statement of net assets as a future income tax benefit or a provision for deferred income tax.

Capital gains tax applicable on the unrealised investment gains or losses are included in the income tax expense. Provision for deferred income tax is expected to be settled within twelve months from the reporting date.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt or, if relating to tax losses, when realisation is virtually certain.

As a constitutionally protected Fund, the recording, assessment and collection of the superannuation contributions surcharge tax, commonly referred to as the 'contributions surcharge', against members of the Schemes administered by GESB is performed by the Australian Taxation Office (ATO). 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.

(e) Revenue recognition

Investment revenue and superannuation contributions are brought to account on an accrual basis. Dividends on quoted shares are deemed to accrue on the date the dividend is declared. Changes in the net market value of assets are recognised in the Statement of Changes in Net Assets in the period in which they occur. Transfers from other funds are brought to account when received. Direct property sales are recognised on settlement.

(f) The Government Employees Superannuation (GES) Fund

The GES Fund is comprised of six superannuation schemes (GES schemes), namely:

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 is open to new members.

Gold State Super – is a defined benefit, lump sum superannuation scheme that has been closed to new members since 1995.

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.

Retirement Income – is an allocated pension that enables retiring members to keep their funds with GESB in a concessional tax environment, while receiving flexible periodic payments.

Retirement Income Term Allocated Pension – is a term allocated pension that enables retiring members to keep their funds with GESB in a concessional tax environment. This option enables the member to receive an income for a fixed term. The member has the choice of the pension from a specified age linked to his/her life expectancy (or that of their spouse). The member cannot withdraw lump sums or specify the level of income he/she receives, but can access additional tax and social security benefits.

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.

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.

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.

(g) 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. 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.

The liability for accrued benefits is actuarially measured annually for Gold State Super, West State Super, the Pension Scheme, Retirement Access and Retirement Income. The valuation of accrued benefits for Gold State Super, West State Super, the Pension Scheme, Retirement Access and Retirement Income at the reporting date was undertaken by the actuary, Mercer Human Resource Consulting Pty Ltd, as part of a comprehensive actuarial review of the Fund.

(h) 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.

Gold State Super, West State Super, Retirement Access and Retirement Income – full vesting from inception.

(i) 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 settled within the industry standard of 20 days.

(j) SB Investment Trust

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 and was a dormant entity during the year.

(k) Board employee entitlements

Long Service and Annual Leave entitlements have been determined in accordance with the provisions of AAS30 and the revised AASB 1028 "Employee Benefits" (June 2001). These entitlements are assessed based on projected future remuneration rates at which the liabilities are expected to be paid. The liability for these entitlements is disclosed as an aggregate amount including related on-costs that arise from employee benefits. Long service leave is calculated on a pro-rata entitlement basis after seven years service. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. 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.

Sick Leave - No liability has been raised for sick leave as these entitlements are non vesting, and sick leave taken each reporting period is less than the entitlement accruing in that period.

Superannuation - GESB's employees have an entitlement to superannuation under one of the schemes established under the *State Superannuation Act 2000*.

An unfunded employer liability exists in relation to the employer share of pension entitlements 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 liability for the superannuation charges under the *State Superannuation Act 2000* relating to members of West State Super and Gold State Super is extinguished by the payment of concurrent employer contributions.

(l) Joint venture accounting

GESB's interest in joint ventures has been brought to account by including in the accounts of the Fund, GESB's share of the joint ventures' individual items of income and expenditure, and assets and liabilities.

(m) Sundry debtors and creditors

Sundry debtors are recognised at the amount receivable. Sundry creditors 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 settled within the payment terms stated on the invoice.

(n) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as an asset or liability in the Statement of Net Assets.

(o) Cash and cash equivalents

Cash and cash equivalents include deposits held at call with a bank or financial institution and highly liquid investments with short periods to maturity which are readily convertible to cash on hand at the Manager's option and are subject to insignificant risk of changes in value.

(p) Superannuation contributions (surcharge) tax

As a constitutionally protected Fund, the recording, assessment and collection of the superannuation contributions tax, commonly referred to as the "contributions surcharge", against members of the Schemes administered by GESB is performed by the ATO. As a consequence, neither the expense nor the liability for the contributions surcharge has been recognised within these Statements.

(q) Comparative figures

Where necessary, comparative figures have been adjusted to conform to changes in presentation for the current year.

(r) Financial Instruments

The investments of GESB (other than cash held for liquidity purposes), are managed by a number of investment managers as detailed in Appendix 3 of the Annual Report. Each investment 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 managers is appropriate for the GES Fund and is in accordance with the GES Fund's investment strategy.

GESB obtains regular reports from each investment manager on the nature of the investments made on its behalf and the associated risks.

NOTE 2: INVESTMENT INCOME & ASSETS

INVESTMENT INCOME

	2004/2005				2003/2004			
	Realised	Unrealised			Realised	Unrealised		
	Changes in	Changes in			Changes in	Changes in		
	Realised	Net Market	Net Market		Realised	Net Market	Net Market	
	Income	Value	Value	Total	Income	Value	Value	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
INTERNALLY MANAGED PORTFOLIO								
Cash	758	-	-	758	742	-	3	745
Shares - Australian Equities	5,856	(5,014)	-	842	12,779	601	45,443	58,823
Total Internally Managed	6,614	(5,014)	-	1,600	13,521	601	45,446	59,568
EXTERNALLY MANAGED PORTFOLIO								
Fixed Interest	19,061	12,250	5,805	37,116	30,426	(4,020)	(3,117)	23,289
Inflation Linked Bonds	8,054	741	12,438	21,233	9,580	(1,580)	(1,230)	6,770
Shares - Australian Equities	43,668	29,400	212,292	285,360	22,752	36,930	78,294	137,976
Shares - International Equities	35,936	46,145	45,662	127,743	20,242	61,158	150,566	231,966
Cash	5,274	2,749	439	8,462	2,495	2,546	1,663	6,704
Property (Listed and Direct) (ii)	36,766	(2,248)	37,426	71,944	34,619	581	18,204	53,404
Global Bonds	18,157	31,858	19,479	69,494	307	583	3,178	4,068
Total Externally Managed	166,916	120,895	333,541	621,352	120,421	96,198	247,558	464,177
TOTAL INVESTMENT INCOME (i)	173,530	115,881	333,541	622,952	133,942	96,799	293,004	523,745
Less: Investment Expenses								
External Fund Management Fees	9,718	-	-	9,718	7,041	-	-	7,041
Custodial Fees	1,432	-	-	1,432	1,103	-	-	1,103
General Administration Costs	801	-	-	801	478	-	-	478
Investment Administration Costs	1,679	-	-	1,679	1,585	-	-	1,585
Total Investment Expenses	13,630	-	-	13,630	10,207	-	-	10,207
NET INVESTMENT INCOME	159,900	115,881	333,541	609,322	123,735	96,799	293,004	513,538

(i) Total investment income includes realised income, realised and unrealised changes in net market value. Realised investment income represents the actual receipts and accruals of interest, property rentals, dividends and income from managed funds. Realised changes in net market value represents the increase in value of realised investment assets from the beginning of the year to the date of sale. Unrealised changes in net market value represents the net unrealised gains/losses on revaluation of investments at year end.

(ii) Investment income relating to the Education Department Building has been reclassified in the prior year from Fixed Interest (Internally Managed Portfolio) to Property (Listed and Direct) to appropriately reflect the underlying nature of this transaction.

INVESTMENT ASSETS

		30 June 2005 Net Market Values \$'000	30 June 2004 Net Market Values \$'000
	Notes		
INTERNALLY MANAGED PORTFOLIO			
Shares – Australian Equities		6	380,399
Cash	(c)	11,555	20,560
Sub-Total		11,561	400,959
EXTERNALLY MANAGED PORTFOLIO			
Fixed Interest	(a)	565,830	407,669
Inflation Linked Bonds		206,483	185,249
Shares - Australian Equities		1,382,402	706,192
Shares - International Equities		1,731,507	1,414,841
Property (Listed and Direct)	(b)(d)	551,066	415,862
Cash	(c)	189,369	125,525
Global Bonds		717,563	553,068
Sub-Total		5,344,220	3,808,406
TOTAL INVESTMENT PORTFOLIO		5,355,781	4,209,365

(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 Investment Managers.

(b) Joint Ventures

GESB is a participant in the following joint ventures associated with its Central Park Property holding: -

	Other Participants	Activity	GESB's Interest
Tenant Car Park and Park	AMP Society Ltd Perpetual Trustees of Victoria Ltd Perron Investments	Car Parking and Park Management	29.903%
Public Car Park	AMP Society Ltd Perron Investments	Car Parking	29.111%
Tower	Perron Investments	Tenancy Management	50.000%

Subsequent to Balance Sheet date, GESB disposed of its interest in the Central Park Property holding. Refer to Note 26: Events Subsequent to Balance Date.

	30 June 2005 \$'000	30 June 2004 \$'000
(c) Cash		
Macquarie Investment Management Ltd	76,641	65,258
WA Treasury Corporation	9,531	10,516
Super Member's Home Loan	2,024	10,044
SB Investment Trust	2	2
Macquarie Treasury Fund	112,726	60,265
Total Cash	200,924	146,085

(d) Education Department Building

Investment asset relating to the Education Department Building has been reclassified in the prior year from Fixed Interest (Internally Managed Portfolio) to Property (Listed and Direct) to appropriately reflect the underlying nature of this transaction.

NOTE 3: FINANCIAL INSTRUMENT DISCLOSURES

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. It also provides investment administration services for the portfolio in conjunction with the external custodian. 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 managers have been appointed and are monitored internally by GESB's Investment Division.

The Board obtains regular reports from each investment manager and from its asset consultants, Russell Investment Group Pty Ltd, 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.

(a) Use of derivative financial instruments

A derivatives transaction is a contract whose value depends on (or derives from) the value of an underlying instrument, reference rate or index. Derivatives are usually separated into three generic classes - forwards, options and swaps - although individual products may combine the features of more than one class. The principal features of each of these classes are summarised below. GESB makes use of derivative financial instruments through internally managed investments and also through the portfolios held by its external managers.

GESB has detailed guidelines regarding the use of synthetic and derivative instruments, which must be adhered to by GESB itself and its external 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 external 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 (i.e. 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 2005 the significant derivative positions held by GESB's external managers were as follows:

	Notional Principal Amounts		Net Market Value	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Australian Fixed Interest Futures	1,640,891	779,441	1,846,341	779,372
Australian Share Price Index Futures	60,806	27,697	60,778	27,846
International Share Price Index Futures	113,907	104,394	114,630	105,304
Exchange Traded Options	-	5,659	-	5,704
Forward Foreign Exchange Contracts	-	-	20,872	(15,876)
Interest Rate Swaps	-	-	-	87
	1,815,604	917,191	2,042,621	902,437

(b) Credit Risk

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

- The full amount of the foreign currency it pays when settling a forward exchange contract, should the counterparty not pay the currency amount it is committed to deliver to the Fund;
- Interest rate swap contracts and forward rate agreements which are limited to favourable contracts to the extent of the next interest receipt due;
- The total credit risk for exchange traded options is limited to the amount carried on the balance sheet; and
- The credit risk in relation to futures contracts is the amount of margin calls paid.

GESB minimises credit risk by undertaking transactions with a large number of debtors 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.

(c) 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.

GESB's exposure to interest rate movements on those investments as at 30 June 2005 is as follows:

	Fixed Interest Rate					
	Floating					Non
	Interest	1 Year or	1-5	Over	Interest	
	Rate	less	years	5 years	Bearing	Total
30 June 2005	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ASSETS						
Investments						
Cash at Call	141,361	-	-	-	-	141,361
Fixed Interest Bonds	-	33,159	170,685	263,864	-	467,708
Inflation Linked Bonds	-	9,424	8,714	149,469	-	167,607
Discount Securities	-	356,096	-	-	-	356,096
Convertible Notes	-	3,653	-	-	-	3,653
Floating Rate Notes	-	33,193	91,346	110,884	-	235,423
Indexed Annuity	-	22	1,359	32,236	-	33,617
Non Interest Bearing Investments	-	-	-	-	4,049,093	4,049,093
Futures	-	-	-	-	197	197
Forward Foreign Exchange	-	-	-	-	20,871	20,871
Investment Receivables	-	-	-	-	90,079	90,079
Property, Plant and Equipment	-	-	-	-	10,869	10,869
Sundry Debtors	-	-	-	-	8,918	8,918
Other Assets	-	-	-	-	2,389	2,389
	141,361	435,547	272,104	556,453	4,182,416	5,587,881
Weighted average interest rate	5.3%	4.5%	5.1%	4.5%		
LIABILITIES						
Contributions Paid in Advance	-	-	-	-	1,623	1,623
Unpaid & Accrued Benefits Due	-	-	-	-	2	2
Provision for Employee Entitlements	-	-	-	-	2,652	2,652
Term Loan	-	20,365	96,632	448,572	-	565,569
Provision for Superannuation Liabilities	-	-	-	-	2,890	2,890
Investment Payables	-	-	-	-	209,924	209,924
Sundry Creditors	-	-	-	-	34,901	34,901
Provision For Tax	-	-	-	-	2,699	2,699
	-	20,365	96,632	448,572	254,691	820,260
Weighted average interest rate	0.0%	6.8%	6.8%	6.8%		
Net Financial Assets (Liabilities)	141,361	415,182	175,472	107,881	3,927,725	4,767,621

Within Fixed Interest Bonds are specific purpose arrangements for a superannuation members' home loans program. These securities have been recorded at net market value determined in accordance with prevailing rates.

COMPARATIVES

	Fixed Interest Rate					
	Floating					Non
	Interest Rate \$'000	1 Year or less \$'000	1-5 years \$'000	Over 5 years \$'000	Interest Bearing \$'000	Total \$'000
30 June 2004						
ASSETS						
Investments						
Cash at Call	140,468	-	-	-	-	140,468
Fixed Interest Bonds	-	4,357	203,137	195,290	-	402,784
Inflation Linked Bonds	-	-	18,417	133,408	-	151,825
Discount Securities	-	296,796	-	-	-	296,796
Convertible Notes	-	-	-	-	-	-
Floating Rate Notes	-	1,021	7,361	55,117	-	63,499
Indexed Annuity	-	-	1,711	29,406	-	31,117
Non Interest Bearing Investments (i)	-	-	-	-	3,204,138	3,204,138
Futures	-	-	-	-	922	922
Options	-	-	-	-	264	264
Forward Foreign Exchange	-	-	-	-	(15,876)	(15,876)
Investment Receivables	-	-	-	-	31,323	31,323
Property, Plant and Equipment	-	-	-	-	15,040	15,040
Sundry Debtors	-	-	-	-	32,057	32,057
Other Assets	-	-	-	-	2,595	2,595
	140,468	302,174	230,626	413,221	3,270,463	4,356,952
Weighted average interest rate	4.0%	4.5%	5.0%	4.1%		
LIABILITIES						
Contributions Paid in Advance	-	-	-	-	2,423	2,423
Unpaid & Accrued Benefits Due	-	-	-	-	6,355	6,355
Provision for Employee Entitlements	-	-	-	-	2,571	2,571
Term Loan	-	19,042	90,352	475,217	-	584,611
Provision for Superannuation Liabilities	-	-	-	-	2,851	2,851
Investment Payables	-	-	-	-	97,894	97,894
Sundry Creditors	-	-	-	-	36,994	36,994
Provision For Tax	-	-	-	-	4,031	4,031
	-	19,042	90,352	475,217	153,119	737,730
Weighted average interest rate	0.0%	6.8%	6.8%	6.8%		
Net Financial Assets (Liabilities)	140,468	283,132	140,274	(61,996)	3,117,344	3,619,222

(i) The Education Department Building has been reclassified as a non-interest bearing investment to appropriately reflect the underlying nature of this transaction.

(d) Currency Risk Exposures

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 external managers, the management of currency risk is covered in some detail. GESB's international asset managers are able to use transactions such as currency forward contracts and swaps in order to hedge 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 investment managers.

GESB's exposure as at 30 June 2005 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
30 June 2005						
Gross investment amounts denominated in foreign currency	916,466	343,306	87,594	117,513	178,281	1,643,160
Less: Amount effectively hedged	(671,617)	(286,126)	(88,315)	(103,346)	(46,275)	(1,195,679)
Net exposure	244,849	57,180	(721)	14,167	132,006	447,481
COMPARATIVES						
	US Dollar A\$'000	Euro A\$'000	Japanese Yen A\$'000	British Pound A\$'000	Other A\$'000	Total A\$'000
30 June 2004						
Gross investment amounts denominated in foreign currency	705,887	268,903	80,729	95,972	121,147	1,272,638
Less: Amount effectively hedged	(543,311)	(235,503)	(78,462)	(85,778)	(59,806)	(1,002,860)
Net exposure	162,576	33,400	2,267	10,194	61,341	269,778

(e) 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.

(f) Net Fair Values of Financial Assets and Liabilities

Net fair 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 fair value.

Disclosures of hedges of anticipated future transactions are provided by the Fund Manager.

GESB does not enter into or hold any commodity contracts.

(g) Unitised Investments

The investment 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.

(h) Scrip Lending

GESB has entered into scrip lending arrangements with the National Custodian Services under which legal title to certain of GESB's assets has been transferred to another entity, notwithstanding the fact that the risks and benefits of ownership of the assets remain with GESB.

The total value of assets subject to scrip lending amount to \$605.7 million (2004: \$598.1 million). GESB has obtained collateral equal to at least the value of the assets subject to scrip lending arrangements.

NOTE 4: EMPLOYER CONTRIBUTIONS, BENEFIT PAYMENT AND OTHER INCOME

	2005 \$'000	2004 \$'000
4a: Employer contributions		
Pension Scheme		
Employer's Share of Pensions	214,495	216,096
Gold State Super		
Employer Contributions – Recoup Agencies	38,956	38,180
Recoup Past Service Liabilities	9,353	12,979
Recoup Consolidated Fund Portion of Lump Sum Benefits	140,638	122,360
	188,947	173,519
West State Super		
Employer Contributions	338,673	301,792
Recoup Treasury Unfunded Liabilities	58,176	58,176
	396,849	359,968
Total Employer Contributions	800,291	749,583
4b: Superannuation benefit payments		
Pension Scheme		
Pensions	222,664	224,166
Commutation Lump Sums	1,063	1,317
Refunds of Contributions & Interest	458	669
Interest on Deferred Refunds	-	-
	224,185	226,152
Gold State Super		
Retirement	88,103	109,219
Disability	22,673	31,181
Retrenchment/Death	8,449	12,883
	119,225	153,283
West State Super		
Retirement	79,405	64,369
Disability	5,901	10,789
Retrenchment/Death	4,781	8,212
	90,087	83,370
Retirement Access	55,254	24,894
Retirement Income	6,488	2,754
	61,742	27,648
Interest paid on Surcharge Liability	17	-
Total Superannuation Benefits Payments	495,256	490,453
4c: Other income		
Benefit Payment Fee	150	225
Other	25	29
Total Other Income	175	254

NOTE 5: LIABILITY FOR ACCRUED BENEFITS

The latest valuation of accrued benefits was undertaken by GESB's actuary, Mercer Human Resource Consulting Pty Ltd, as part of their comprehensive investigation of the Fund as at 30 June 2005 in accordance with the provisions of Section 17 of the *State Superannuation Act 2000*.

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		West State Super		Pension Scheme		Retirement Access		Retirement Income		Term Allocated Pension		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Gross Accrued Benefits	4,256,474	3,976,521	3,025,194	2,281,582	2,465,759	2,576,599	125,491	59,986	74,159	32,889	695	-	9,947,772	8,927,577

LIABILITY FOR ACCRUED BENEFITS RELATED TO FUNDED LIABILITIES

The liability for accrued benefits of the Fund, related to funded liabilities as at 30 June 2005, was calculated by GESB's actuary and determined by 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.

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		West State Super		Pension Scheme		Retirement Access		Retirement Income		Term Allocated Pension		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Accrued Liability Related to Funded Liabilities	1,624,760	1,487,521	2,459,625	1,696,971	95,958	96,599	125,491	59,986	74,159	32,889	695	-	4,380,688	3,373,966

The prior year figure for Gold State Super has been increased by \$2.13m to reflect adjustments relating to clarification of data definitions. These adjustments pertain to the accrued liability related to funded liabilities and have been identified during the current year valuation.

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 (i.e. the Government) which have arisen in respect of membership of the Fund up to 30 June 2005 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 Government guaranteed security rate.

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		West State Super		Pension Scheme		Retirement Access		Retirement Income		Term Allocated Pension		Total
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Unfunded Liabilities in respect of Completed Membership	2,631,714	2,489,000	565,569	584,611	2,369,801	2,480,000	-	-	-	-	-	-	5,567,084
													5,553,611

The unfunded liability in respect of West State Super stands at \$566m as at 30 June 2005. An agreement was reached with the State Government that this unfunded amount would be discharged over a 20 year period commencing 15 July 2001.

RESERVES

In addition to the above funded liabilities, the actuary recommends that the schemes retain a portion of their assets as explicit reserves against investment fluctuations, insurance claims and future administration costs as set out below.

	Gold State Super		West State Super		Pension Scheme		Total	
	2005	2004	2005	2004	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
West State Super General Reserve	-	-	43,334	29,023	-	-	43,334	29,023
Minimum Benefit Guarantee Reserve	-	-	10,000	10,000	-	-	10,000	10,000
Investment Fluctuation Reserve	246,000	127,000	-	-	-	-	246,000	127,000
Insurance Fluctuation Reserve	-	-	2,000	2,000	-	-	2,000	2,000
Mortality Deterioration Reserve	-	-	-	-	10,000	-	10,000	-
Administration Reserve	85,000	85,000	-	-	-	1,544	85,000	86,544
Total Reserves at 30 June	331,000	212,000	55,334	41,023	10,000	1,544	396,334	254,567

The prior year investment fluctuation reserve for Gold State Super has been decreased by \$128m to reflect adjustments relating to clarification of data definitions. These adjustments pertain to the accrued liability related to funded liabilities and have been identified during the current year valuation.

Movement in Reserves

	Gold State Super		West State Super		Pension Scheme		Total	
	2005	2004	2005	2004	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
West State Super General Reserve								
Balance 1 July	-	-	29,023	37,065	-	-	29,023	37,065
Transfer from Loan Interest Accrual Reserve	-	-	-	(8,522)	-	-	-	(8,522)
Investment earnings	-	-	9,219	7,165	-	-	9,219	7,165
Under/Over recovery of Administration costs	-	-	(2,185)	(1,347)	-	-	(2,185)	(1,347)
Transfer from/to Insurance Fluctuation Reserve	-	-	8,023	6,992	-	-	8,023	6,992
Transfer to Minimum Benefit Guarantee Reserve	-	-	(746)	(12,330)	-	-	(746)	(12,330)
Balance at 30 June	-	-	43,334	29,023	-	-	43,334	29,023
Minimum Benefit Guarantee Reserve								
Balance 1 July	-	-	10,000	-	-	-	10,000	-
Transfer from West State Super General Reserve	-	-	746	12,330	-	-	746	12,330
Applied against Minimum Benefit Guarantee	-	-	(746)	(2,330)	-	-	(746)	(2,330)
Balance at 30 June	-	-	10,000	10,000	-	-	10,000	10,000
Loan Interest Accrual Reserve								
Balance 1 July	-	-	-	(8,522)	-	-	-	(8,522)
Transfer to West State Super General Reserve	-	-	-	8,522	-	-	-	8,522
Current year movement in accrual	-	-	-	-	-	-	-	-
Balance at 30 June	-	-	-	-	-	-	-	-
Investment Fluctuation Reserve								
Balance 1 July	127,000	166,362	-	-	-	-	127,000	166,362
Amount utilised/credited during current year	119,000	(39,362)	-	-	-	-	119,000	(39,362)
Balance at 30 June	246,000	127,000	-	-	-	-	246,000	127,000

	Gold State Super		West State Super		Pension Scheme		Total	
	2005	2004	2005	2004	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Insurance Fluctuation Reserve								
Balance 1 July	-	5,000	2,000	5,000	-	-	2,000	10,000
Amount utilised/credited during current year	-	(5,000)	-	-	-	-	-	(5,000)
Surplus for the year	-	-	8,023	3,992	-	-	8,023	3,992
Transfer from/to West State Super General Reserve	-	-	(8,023)	(6,992)	-	-	(8,023)	(6,992)
Balance at 30 June	-	-	2,000	2,000	-	-	2,000	2,000
Mortality Deterioration Reserve								
Balance at 1 July	-	-	-	-	-	-	-	-
Amount utilised/credited during current year	-	-	-	-	10,000	-	10,000	-
Balance at 30 June	-	-	-	-	10,000	-	10,000	-
Administration Reserve								
Balance at 1 July	85,000	106,000	-	-	1,544	-	86,544	106,000
Amount utilised/credited during current year	-	(21,000)	-	-	(1,544)	1,544	(1,544)	(19,456)
Balance at 30 June	85,000	85,000	-	-	-	1,544	85,000	86,544

West State Super General Reserve

This represents the balance of the investment surplus accumulated prior to the introduction of member investment choice.

Minimum Benefit Guarantee Reserve

Under the West State Super rules, each member is guaranteed a benefit equal to the greater of the balance of their account at the date of exit and the balance of their account as at 30 June 2001 indexed by CPI plus 2% to the exit date. The minimum benefit guarantee reserve is designed to fund any amounts payable under this guarantee which are greater than the balance of the member's account at the exit date.

As at 30 June 2005, if all members had exited West State Super at that date, the amount that would be payable under the guarantee would have been \$5.4m (2004, \$23.8m). This is the maximum exposure of the fund at that date and is greater/less than the balance of the minimum benefit guarantee reserve at that date. This exposure for each individual member will increase or decrease in the future as follows:

- it will decrease for any contributions made on behalf of the member.
- it will increase or decrease to the extent that future earnings of the fund are less than or greater than CPI plus 2%.

It is expected that the value of the guarantee will reduce for active members as contributions are made. It will however remain significant for deferred members.

Loan Interest Accrual Reserve

The loan interest accrual reserve is in respect of interest accrued on the loan from Western Australian Treasury Corporation at year-end. A mismatch occurs for the amount of the accrual as the contribution to be received from the Department of Treasury and Finance, which funds the unfunded liabilities for West State Super, has not yet been received at year-end and is not accrued in the financial statements. The mismatch reserve is expected to decrease to nil over the life of the arrangement.

Investment Fluctuation Reserve

The investment fluctuation reserve is designed to assist in smoothing the impact of fluctuations in investment earnings over time and to protect the Fund against a period of sustained poor investment returns. At present the Pension Scheme and the Gold State Super do not have sufficient assets to fully finance an investment fluctuation reserve. West State Super does not require an investment fluctuation reserve.

Mortality Deterioration Reserve

This reserve was created to protect the Pension Scheme against any adverse mortality experience.

Insurance Fluctuation Reserve

This reserve is intended to provide some protection against future adverse claims experience.

Administration Reserve

This reserve makes provision for future costs of administering the schemes which are not recovered from the members and the future costs of providing advice and assistance to the Government. The cost of administering Gold State Super and the Pension Scheme are funded by GESB, while a substantial portion of the gross accrued benefits for these schemes are unfunded.

NOTE 6: VESTED BENEFITS

Australian Accounting Standard AAS 25 requires the disclosure of vested benefits as at 30 June 2005. The latest determination of vested benefits was undertaken by GESB's actuary, Mercer Human Resource Consulting Pty Ltd, 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		West State Super		Pension Scheme		Retirement Access		Retirement Income		Term Allocated Pension		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Gross Vested Benefits	4,505,069	4,212,056	3,030,575	2,305,387	2,465,759	2,576,599	125,491	59,986	74,159	32,889	695	-	10,201,748	9,186,917

The liability for vested benefits of the Fund related to funded liabilities as at 30 June 2005 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		West State Super		Pension Scheme		Retirement Access		Retirement Income		Term Allocated Pension		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Vested Benefits Related to Funded Liabilities	1,796,317	1,637,056	2,465,006	1,720,776	95,958	96,599	125,491	59,986	74,159	32,889	695	-	4,557,626	3,547,306

The discount rate adapted 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.

The prior year figure for Gold State Super has been increased by \$265m to reflect adjustments relating to clarification of data definitions. These adjustments pertain to the accrued liability related to funded liabilities and have been identified during the current year valuation.

NOTE 7: GUARANTEED BENEFITS

The payment of benefits to members or their beneficiaries of the lump sum schemes 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 8: 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 *Government Employees Superannuation (GES) Act 1987* (Gold State Super and West State 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.

The employer contribution rate for 2004/05 for contributory members was 12% (2003/04: 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 2004/05 was assessed at 70.59% (2003/04: 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.

In the former 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.

(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%.

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) 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 9: ADMINISTRATION EXPENSES

Details of administration expenses incurred by GESB during the year ended 30 June 2005 are set out below:

		2004/05 Actual	2004/05 Budget	Variance Actual to Budget	Variance Actual to Budget	2003/04 Actual	Variance Actual To Actual	Variance Actual to Actual
		\$	\$	\$	%	\$	\$	%
Employment Expenses		14,550,030	14,496,451	53,579	0.4	14,329,934	220,096	1.5
Professional Fees (actuarial, legal, medical, audit and consultancy fees)	(i)	2,641,981	2,594,516	47,465	1.8	1,812,606	829,375	45.8
Information Technology Costs	(ii)	4,772,141	4,782,796	(10,655)	(0.2)	5,546,327	(774,186)	(14.0)
Accommodation Costs		1,873,401	1,846,848	26,553	1.4	1,732,505	140,896	8.1
Other Administration Costs	(iii)	3,593,253	4,485,943	(892,690)	(19.9)	3,081,960	511,293	16.6
		27,430,806	28,206,554	(775,748)	(2.8)	26,503,332	927,474	3.5
Less:								
Investment Administration Costs		(1,679,083)	(1,810,038)	130,955	(7.2)	(1,585,022)	(94,061)	5.9
Recoup of Costs Incurred in the Administration of the Parliamentary Superannuation Scheme and Judicial Pension Scheme	(iv)	(383,576)	(297,881)	(85,695)	28.8	(379,988)	(3,588)	0.9
Total Administration Costs Excluding Changes in Net Market Value of Other Assets		25,368,147	26,098,635	(730,488)	(2.8)	24,538,322	829,825	3.4
Changes in Net Market Value of Other Assets	(v)	6,341,449	6,859,625	(518,176)	(7.6)	5,147,745	1,193,704	23.2
Total Schemes Administration Costs		31,709,596	32,958,260	(1,248,664)	(3.8)	29,686,067	2,023,529	6.8

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 from Actual or Budget of greater than 10% of total administrative expenditure or \$250,000, whichever is smaller.

(i) Professional Fees

2004/05 Actual to Previous Years Actual (Increased cost \$829,375)

- The increase in expenditure is largely due to legal and consulting costs associated with the Choice Response project.

(ii) Information Technology Costs

2004/05 Actual to Previous Years Actual (Decreased cost \$774,186)

- The decrease in costs is largely due to a reduction in the level of base level support costs provided by the outsourced Information and Communication Technology service providers.

(iii) Other Administration Costs

a) 2004/05 Actual to Budget (Decreased cost \$892,691)

- The under budget amount in other administration costs relate primarily to cost savings in a number of areas including travel, postage, printing, library and reference materials, contractors and GST irrecoverable.

b) 2004/05 Actual to Previous Years Actual (Increased cost \$511,293)

- The increase in expenditure over previous year's actuals is due mainly to higher expenditure in areas such as postage, printing and advertising. All of these activities are related to an increase in Marketing related initiatives.

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

2004/05 Actual to Budget (Increased cost recoup \$85,695)

- The actual recoveries exceed budgeted recoveries due to a change in the cost allocation methodology which was not factored into the 2004/05 budget estimate.

(v) Changes in Net Market Value of Other Assets

a) 2004/05 Actual to Budget (Decreased cost \$518,176)

- The lower cost compared to budget is due to a delay on the decision to replace information and communication technology assets in the current year.

b) 2004/05 Actual to Previous Years Actual (Increased cost of \$1,193,704)

- The increase in costs over previous year's actuals was due to depreciation adjustments in both years.

NOTE 10: TAXATION

	2005 \$'000	2004 \$'000
Income Tax Expense		
Changes in net assets before tax	1,158,317	918,508
Changes in net assets related to constitutionally protected scheme	(1,041,891)	(854,583)
Total change in net assets related to Retirement Products	116,426	63,925
Prima facie income tax expense calculated at 15% (2004: 15%)	17,464	9,589
Increase in income tax expense due to		
- Benefits paid	9,261	5,262
- Non deductible expenses	266	87
- Over provision for income tax expense in current year	-	129
- Under provision for income tax expense in prior year	-	8
Decrease in income tax expense		
- Income from Managed Portfolio	(542)	(410)
- Members' contributions	(15,446)	(5,453)
- Transfers in	-	(3,439)
- Imputation credits	(472)	(95)
- Exempt pension income	(607)	-
- Under/(Over) provision for prior year	(6)	-
	(607)	
Income Tax Expense	9,918	5,678
Current Tax Liabilities		
Provision for current income tax		
Balance at beginning of year	3,753	2,906
Income tax paid – current period	(7,481)	(1,524)
Income tax paid – prior period	(3,741)	(2,934)
Current year's income tax provision	9,478	5,277
Under provision for prior period	(12)	28
	1,997	3,753
Deferred Tax Liabilities		
Provision for deferred income tax		
Provision for deferred income tax comprises the estimated expense at the applicable rate of 15% on the following items:		
Accrued income	31	20
Unrealised capital gains	671	258
	702	278
Deferred Tax Assets		
Future income tax benefit		
Future income tax benefit comprise the estimated benefit at the applicable rate of 15% on the following items:		
Capital Losses carried forward	-	27
	-	27

NOTE 11: 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 2) and Fund administration costs (Note 9) 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. GESB's policy until 1 July 2001 had been to divide the income between the schemes based on the monthly aggregate of the amounts standing to the credit of each scheme during the year. Commencing 1 July 2001, as a result of the introduction of Member Investment Choice, the income attributable to all schemes has been allocated consistent with the average returns of each scheme. The apportionment method has been refined in the current year.

(b) Apportionment of Administration Expenses

The cost of Fund administration has been allocated between the various Schemes using an activity based costing model.

For the purposes of apportionment of the net assets of the Fund, Government related costs have not been charged against West State Super but have been deducted from the remaining assets of the Fund. Insurance costs have been allocated to schemes based on the number of benefits paid and the average processing time for each benefit.

As a result, the Net Assets of the Fund have been apportioned between the elements of the Fund (i.e. Schemes) as follows:

	2005 \$'000	2004 \$'000
Gold State Super	1,956,022	1,699,913
West State Super	2,506,958	1,729,723
Pension Scheme	106,688	98,143
Retirement Access	125,138	59,179
Retirement Income	73,148	32,264
Term Allocated Pension	(333)	-
	4,767,621	3,619,222

NOTE 12: FIXED ASSETS

Fixed assets comprise computer hardware and software, computer software development projects and office furniture and equipment. These assets are recorded at written down (depreciated or amortised) values. Details are as follows:

	2005		2004	
	\$'000	\$'000	\$'000	\$'000
Computer Hardware Costs	4,722		4,944	
Less: Provision for Depreciation	4,028	694	3,755	1,189
Computer Software Costs	40,048		37,636	
Less: Accumulated Amortisation	31,112	8,936	25,648	11,988
Office Furniture, Equipment and Renovations	3,955		3,963	
Less: Provision for Depreciation	3,437	518	3,142	821
Computer Software Development Projects	721	721	1,042	1,042
- Works in Progress Costs				
		10,869		15,040

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:

2005

	Computer Hardware	Computer Software	Office Furniture, Equipment and Renovations	Computer Software Redevelopment Projects - Works in Progress Costs	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at start of year	1,189	11,988	821	1,042	15,040
Additions	79	1,368	1	722	2,170
Disposals	-	-	-	-	-
Transfers	-	1,043	-	(1,043)	-
Depreciation/amortisation expense	(574)	(5,463)	(304)	-	(6,341)
Carrying amount at end of year	694	8,936	518	721	10,869

2004

	Computer Hardware	Computer Software	Office Furniture, Equipment and Renovations	Computer Software Redevelopment Projects - Works in Progress Costs	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at start of year	1,819	15,282	1,207	-	18,308
Additions	462	602	104	1,042	2,210
Disposals	(327)	-	(3)	-	(330)
Depreciation/amortisation expense	(765)	(3,896)	(487)	-	(5,148)
Carrying amount at end of year	1,189	11,988	821	1,042	15,040

NOTE 13: SUNDRY DEBTORS AND CREDITORS

(a) Sundry Debtors

Represented by:

	2005		2004	
	\$'000	\$'000	\$'000	\$'000
Investments				
Rent/Interest	805		516	
Accrued Interest	55		52	
		860		568
Pension Scheme				
Recoup State's Share of Pensions	-		7,776	
		-		7,776
Gold State Super				
Employer Contributions	5,381		21,284	
Contribution Arrears	1,988		2,076	
		7,369		23,360
Other Debtors		689		353
		8,918		32,057

(b) Sundry Creditors

Represented by:

	2005	2004
	\$'000	\$'000
Investments		
Management Fees	3,731	2,753
Gold State Super		
Benefits Due and Payable	7,003	7,849
West State Super		
Benefits Due and Payable	7,067	7,115
Western Australian Treasury Corporation Interest	8,001	8,270
Retirement Income	32	305
Unallocated Receipts	1,495	3,905
Other Creditors and Accruals	7,572	6,797
	34,901	36,994

NOTE 14: PROVISION FOR EMPLOYEE ENTITLEMENTS

The provision for employee entitlements for long service leave and annual leave has been calculated by the Actuary, Mercer Human Resource Consulting Pty Ltd, in accordance with the provisions of the revised Accounting Standard AASB 1028.

The value of leave entitlements has been estimated at:

	2005	2004
	\$'000	\$'000
Current Liability		
Long Service Leave	325	340
Annual Leave	766	829
	1,091	1,169
Non - Current Liability		
Long Service Leave	1,561	1,402
	2,652	2,571
Number of Employees (Head Count)	195	208

NOTE 15: PROVISION FOR SUPERANNUATION LIABILITIES

GESB's employees have an entitlement to superannuation under the *State Superannuation Act 2000*.

The Pension Scheme was closed to new members on 15 August 1986. The scheme is unit based with the level of member pension entitlements being determined by the number of units purchased at the date of retirement, recognised service and the member's final salary. The employer liability is funded only on the emergence of each fortnightly pension payment.

Gold State Super and West State Super are concurrently funded by GESB in accordance with the rates prescribed within the relevant sections of the *State Superannuation Regulations 2001*. The payment of these employer contributions fully meets GESB's current superannuation obligations in respect of its employees who are members of these schemes.

In respect of current employees who transferred from the Pension Scheme to Gold State Super, GESB has an unfunded liability in relation to the period of aggregate service completed prior to transfer. This liability is calculated at the rate of 12% of the employees' final average salary and is payable upon the emergence of the entitlement.

The disclosure required by paragraph 51(e)(i)(B) of AAS 30 in respect of defined benefit superannuation plans sponsored by the employer as being the employer's share of the difference between employees' accrued entitlements and the attributable net market value of the plan's assets, has not been reported. Any actuarial surplus/deficiency, under either of the schemes, is recognised by the State in its whole of government reporting. Any amount thereof that could be attributed to GESB is not readily available as this information is not maintained at an employer level and the benefit of the disclosure of such information would be exceeded by the costs of deriving it.

GESB's unfunded superannuation liability has been recognised by provision in the Statement of Net Assets at the present value of the future expected payments, in relation to:

	2005 \$'000	2004 \$'000
The value of the employer financed portion of future pension payments to Pension Scheme Members	1,772	1,750
The employer cost of accumulated benefits earned by current employees who are contributors to the Pension Scheme	127	113
The accumulated liability in relation to the transferred service of employees who transferred to Gold State Super	991	988
	2,890	2,851
	2005	2004
Number of staff who are members of the Pension Scheme	1	1

The liability has been established by reference to each employee/pensioner entitlement and application of actuarial factors for determination of the net present value of GESB's unfunded liability.

The liability for the superannuation charges under the *State Superannuation Act 2000* is extinguished by the payment of employer contributions to GESB.

NOTE 16: TERM LOAN FROM WESTERN AUSTRALIAN TREASURY CORPORATION

The Term Loan from Western Australian Treasury Corporation commenced on 30 May 2001 and was incurred to enable the balances on West State Super member's 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% pa, plus a government fee of 0.2000% pa. The interest brought to account for the period to 30 June 2005 is \$38,992,595 (2003/04: \$40,308,017).

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 8(b).

NOTE 17: REMUNERATION OF MEMBERS OF THE BOARD AND SENIOR OFFICERS

The total fees, salaries and other benefits received or due and receivable from GESB or any related body for the financial year by:

	2005	2004
	\$	\$
Members of the Board	176,090	176,342
Senior Officers	1,253,487	924,704

The number of members of the Board whose total fees, salaries and other benefits received or due and receivable for the financial year, falls within the following bands:

	2005	2004
\$10,001 - \$20,000	-	1
\$20,001 - \$30,000	4	3
\$60,001 - \$70,000	1	1
	5	5

The Board is comprised of seven Board Directors. During 2004/05, remuneration in accordance with Section 8(2) of the *State Superannuation Act 2000*, was paid to five Board Directors.

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.

The number of Senior Officers whose total of salaries and other benefits received or due and receivable for the financial year, falls within the following bands:

	2005	2004
\$40,001 - \$50,000	-	1
\$50,001 - \$100,000	2	1
\$110,001 - \$120,000	-	2
\$120,001 - \$130,000	-	1
\$130,001 - \$140,000	2	-
\$160,001 - \$170,000	1	-
\$180,001 - \$190,000	1	-
\$210,001 - \$220,000	-	1
\$220,001 - \$230,000	-	1
\$250,001 - \$260,000	2	-
	8	7

"Senior Officer" represents a person, by whatever name called, who is concerned with or takes part in the management of the GESB, but excludes any person acting in such a position for a limited period.

No senior officers are members of the Pension Scheme. One member of the Board is a member of the Pension Scheme.

In 2004/05, GESB renewed its Directors and Officers Liability insurance policy with Riskcover. The premium paid in respect of this insurance was \$61,728.19 (excluding goods and services tax).

NOTE 18: RETIREMENT BENEFITS

In respect of members of the Board and Senior Officers, the following amounts were paid or became payable during the financial year:

	2005	2004
	\$	\$
Members of the Board		
Gold State Super	-	-
West State Super	-	-
Senior Officers		
Gold State Super	-	1,251,762
West State Super	-	-

NOTE 19: REMUNERATION OF AUDITOR

The total fee paid or due and payable to the Auditor General for the financial years was as follows:

	2005	2004
	\$	\$
Fee for Audit	230,202	187,682

NOTE 20: RELATED PARTY TRANSACTIONS

Apart from transactions on normal commercial terms, there are no related party transactions during the current or previous financial years.

NOTE 21: WRITE-OFFS

There was no write-offs made during the current financial year.

NOTE 22: COMMITMENTS

GESB has a continuing commitment in relation to Outsourced Information Technology services. The financial commitment on this contract depends on the estimated level of base level services per year under the agreed contract terms and conditions. The current contract terminates on 31 March 2006 and the contract extension is in the process of negotiation with the outsourced provider. The total base level services cost has been estimated at \$2.8m for 2005/2006.

GESB maintains two year renewable vehicle leases with State Fleet. The financial commitment on these vehicle leases as at 30 June 2005 is \$22,008.

GESB is committed to a lease agreement on its premises on Level 4 and Level 5 in the Central Park building. At balance date, GESB holds 50% ownership of the Central Park Property. GESB's total lease commitment is at \$2.4m and this lease terminates on 31 May 2007.

Estimated financial commitment contracted for at balance sheet date but not provided for payable:

	2005	2004
Not later than one year	3,998,443	4,659,973
Later than one year but not later than five years	1,190,222	5,192,085
Later than five years	-	-
	5,188,665	9,852,058

The financial commitment for the Outsourced Information Technology services contract later than one year will be determined at the completion of the contract negotiation.

NOTE 23: EXPLANATORY STATEMENT

In accordance with Treasurer's Instruction 945, this statement compares 2004/05 Income and Expenditure as shown within the Statement of Operations with:

(a) The 2004/05 Budget figures published in the 2005 Annual Report

(b) The 2004/05 Income and Expenditure figures

		2004/05 Actual \$'000	2004/05 Budget \$'000	Variance Actual to Budget \$'000	Variance Actual to Budget %	2003/04 Actual \$'000	Variance Actual to Actual \$'000	Variance Actual to Actual %
Notes								
REVENUE FROM ORDINARY ACTIVITIES								
Investment Income								
	(i)	622,952	314,903	308,049	98%	523,745	99,207	19%
	(ii)	(13,630)	(13,673)	43	-	(10,207)	(3,423)	34%
Net Investment Income		609,322	301,230	308,092	102%	513,538	95,784	19%
Superannuation Income								
Contributions								
	(iii)	185,544	120,600	64,944	54%	130,325	55,219	42%
		214,495	210,739	3,756	2%	216,096	(1,601)	(1%)
		188,947	185,133	3,814	2%	173,519	15,428	9%
	(iv)	396,849	360,447	36,402	10%	359,968	36,881	10%
	(v)	115,312	41,800	73,512	176%	79,934	35,378	44%
	(vi)	13,631	165,360	(151,729)	(92%)	5,321	8,310	156%
	(vii)	175	537	(362)	(67%)	254	(79)	(31%)
Sub Total		1,114,953	1,084,616	30,337	3%	965,417	149,536	15%
Total Revenue From Ordinary Activities		1,724,275	1,385,846	338,429	25%	1,478,955	245,320	17%
EXPENSES FROM ORDINARY ACTIVITIES								
Superannuation Benefits								
		224,185	219,253	4,932	2%	226,152	(1,967)	(1%)
	(viii)	119,225	273,300	(154,075)	(56%)	153,283	(34,058)	(22%)
	(ix)	90,087	110,900	(20,813)	(19%)	83,370	6,717	8%
	(x)	61,742	68,787	(7,045)	(10%)	27,648	34,094	123%
	(xi)	17	-	17	n/a	-	17	n/a
Administration Expenses		25,368	26,109	(741)	(3%)	24,538	830	3%
Loan Interest		38,993	38,992	1	-	40,308	(1,315)	(3%)
	(xii)	6,341	6,860	(519)	(8%)	5,148	1,193	23%
Total Expenses from Ordinary Activities		565,958	744,201	(178,243)	(24%)	560,447	5,511	1%
OPERATING RESULT BEFORE TAX FOR THE YEAR								
		1,158,317	641,645	516,672	81%	918,508	239,809	26%

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.

(i) Investment Income

Income from investments was \$308.0m (98%) higher than budget and \$99.2m (19%) higher than last year. This was due to strong investment performance experienced in the Australian and International equity markets as well as Global bonds and Domestic Inflation Indexed bonds. Details of investment income are included in Note 2.

(ii) Investment Expenses

Investment expenses were \$3.4m (34%) higher than last year due to strong investment performance in capital markets and additional expenses incurred in expanding investment strategies.

(iii) Employee Contributions

Total employee contributions were \$64.9m (54%) higher than budget and \$55.2m (42%) higher than last year. Voluntary contributions into West State Super were \$25.4m (93%) higher than last year. This is largely attributed to the introduction of partner contributions since June 2003 and the Federal Government's introduction of co-contributions for low-income earners since June 2004 (Contributions totalled \$11.0m for the year ending June 2005). The income threshold for the Federal Government's co-contribution scheme was revised in July 2004 to attract voluntary contributions from low to middle-income earners. This along with continued promotion via member statements and other member communication has contributed to this increase.

(iv) Employer Contributions (West State Super)

West State Super Employer contributions were \$36.4m (10%) higher than budget and \$36.9m (10%) higher than last year due to an increase in membership and general increase in salaries.

(v) Inward Transfer from Other Funds

Inward Transfer from Other Funds is \$73.5m (176%) higher than the budget estimates and is \$35.4m (44%) higher than the previous year's actual as a result of continued marketing activities in promoting GESB. Inward transfer information is sent with each member statement as well as in new member kits.

(vi) Rollover into Retirement Products

A total of \$105.9m was transferred into Retirement Access, \$42.7m into Retirement Income and \$0.7m into Term Allocated Pension from West State Super and Gold State Super. The transfers between the West State Super and Gold State Super schemes and the Retirement Products are eliminated on aggregation. Retirement Income Term Allocated Pension commenced December 2004. The amount of \$13.6m was received from external sources. The retirement benefit retention into Retirement Products continues to grow with increased member education.

(vii) Other Income

The current year is \$0.36m (67%) below budget and \$0.08m (31%) lower than the previous year's actuals due to the West State Super pricing review which resulted in the elimination of the benefit payment processing fee in April 2005.

(viii) Superannuation Benefits – Gold State Super

Gold State Super benefit payments were \$154.1m (56%) lower than budget and were \$34.1m (22%) lower than the previous year's actuals. The decrease is due to a lower than expected number of retirements, resignations, deaths and retrenchments. Total Gold State Super benefit payments of \$118.4m were transferred into Retirement Products. This amount has been eliminated on aggregation.

(ix) Superannuation Benefits – West State Super

The decrease of \$20.8m (19%) in West State Super payments compared to budget was due to lower than expected number of retirements, resignations, deaths and retrenchments. Total West State Super benefit payments of \$30.9m were transferred into Retirement Products. This amount has been eliminated on aggregation.

(x) Superannuation Benefits – Retirement Products

Retirement Products benefit payments were \$7.0m (10%) lower than budget and \$34.1m (123%) higher than the previous year's actuals. The lower benefit payments compared to budget was due to better retention in these products than anticipated. The higher benefit payments compared to previous year's actuals is consistent with the higher rollover into Retirement Products as compared to the previous year's actuals.

(xi) Interest Paid on Surcharge Liability

The option for members requesting GESB to withhold amounts towards their Surcharge Liability was made available in August 2002. Interest for the duration the amount is withheld was paid to the member upon the member's instructions to forward the withheld amount to the Tax Office.

(xii) Changes in Net Market Value of Other Assets

As per Note 9 (v).

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 is open to new members.

Gold State Super – is a defined benefit, lump sum superannuation scheme that has been closed to new members since 1995.

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.

Retirement Income – is an allocated pension that enables retiring members to keep their funds with GESB in a concessional tax environment, while receiving flexible periodic payments.

Retirement Income Term Allocated Pension – is a term allocated pension that enables retiring members to keep their funds with GESB in a concessional tax environment. This option enables the member to receive an income for a fixed term. The member has the choice of the pension from a specified age linked to his/her life expectancy (or that of their spouse). The member cannot withdraw lump sums or specify the level of income he/she receives, but can access additional tax and social security benefits.

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.

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.

STATEMENT OF CHANGES IN NET ASSETS - 2005

	Pension Scheme	Gold State Super	West State Super	Retirement Access	Retirement Income	Term Allocated Pension	Scheme Eliminations	TOTAL
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
NET ASSETS AVAILABLE TO PAY BENEFITS AT THE BEGINNING OF THE YEAR	98,143	1,699,913	1,729,723	59,179	32,264	-	-	3,619,222
REVENUE FROM ORDINARY ACTIVITIES								
Investment Income	17,360	249,719	324,614	10,886	6,719	24	-	609,322
Superannuation Income Contributions								
Member	2,515	69,432	113,597	119,582	42,695	710	(149,356)	199,175
Employer	214,495	188,947	396,849	-	-	-	-	800,291
Inward Transfer from Other Funds	-	-	115,312	-	-	-	-	115,312
Other Income	-	25	150	-	-	-	-	175
Total Revenue From Ordinary Activities/ Segment Revenue	234,370	508,123	950,522	130,468	49,414	734	(149,356)	1,724,275
EXPENSES FROM ORDINARY ACTIVITIES								
Superannuation benefits	224,185	237,685	121,000	55,253	6,475	14	(149,356)	495,256
Administration Expenses and Changes in Net Market Value of Other Assets	1,640	14,329	13,294	676	738	1,032	-	31,709
Loan Interest	-	-	38,993	-	-	-	-	38,993
Total Expenses from Ordinary Activities/ Segment Expenses	225,825	252,014	173,288	55,929	7,213	1,046	(149,356)	565,958
TAXATION	-	-	-	(8,580)	(1,317)	(21)	-	(9,918)
OPERATING RESULT FOR THE YEAR/ SEGMENT RESULT	8,545	256,109	777,235	65,959	40,884	(333)	-	1,148,399
NET ASSETS AVAILABLE TO PAY BENEFITS AT THE END OF THE YEAR	106,688	1,956,022	2,506,958	125,138	73,148	(333)	-	4,767,621

STATEMENT OF NET ASSETS - 2005

	Pension Scheme	Gold State Super	West State Super	Retirement Access	Retirement Income	Term Allocated Pension	TOTAL
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Investment Assets	124,631	1,952,546	3,077,740	125,742	74,426	696	5,355,781
Other Assets	-	12,388	9,788	-	-	-	22,176
TOTAL ASSETS/ SEGMENT ASSETS	124,631	1,964,934	3,087,528	125,742	74,426	696	5,377,958
TOTAL LIABILITIES/ SEGMENT LIABILITIES	17,943	8,912	580,570	604	1,278	1,029	610,336
NET ASSETS	106,688	1,956,022	2,506,958	125,138	73,148	(333)	4,767,621

STATEMENT OF CHANGES IN NET ASSETS - 2005

	Pension Scheme	Gold State Super	West State Super	Retirement Access	Retirement Income	Term Allocated Pension	Scheme Eliminations	TOTAL
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
NET ASSETS AVAILABLE TO PAY BENEFITS AT THE BEGINNING OF THE YEAR	93,390	1,473,559	1,108,467	28,040	2,936	-	-	2,706,392
REVENUE FROM ORDINARY ACTIVITIES								
Investment Income	13,823	217,827	273,373	6,062	2,453	-	-	513,538
Superannuation Income								
Contributions								
Member	2,598	66,805	60,921	62,349	31,490	-	(88,517)	135,646
Employer	216,096	173,521	359,966	-	-	-	-	749,583
Inward Transfer from Other Funds	-	-	79,934	-	-	-	-	79,934
Other Income	-	30	224	-	-	-	-	254
Total Revenue From Ordinary Activities/ Segment Revenue	232,517	458,183	774,418	68,411	33,943	-	(88,517)	1,478,955
EXPENSES FROM ORDINARY ACTIVITIES								
Superannuation benefits	226,151	216,039	101,701	32,295	2,784	-	(88,517)	490,453
Administration Expenses and Changes in Net Market Value of Other Assets	1,613	15,790	11,153	552	578	-	-	29,686
Loan Interest	-	-	40,308	-	-	-	-	40,308
Total Expenses from Ordinary Activities/ Segment Expenses	227,764	231,829	153,162	32,847	3,362	-	(88,517)	560,447
TAXATION	-	-	-	(4,425)	(1,253)	-	-	(5,678)
OPERATING RESULT FOR THE YEAR/ SEGMENT RESULT	4,753	226,354	621,256	31,139	29,328	-	-	912,830
NET ASSETS AVAILABLE TO PAY BENEFITS AT THE END OF THE YEAR	98,143	1,699,913	1,729,723	59,179	32,264	-	-	3,619,222

STATEMENT OF NET ASSETS - 2005

	Pension Scheme	Gold State Super	West State Super	Retirement Access	Retirement Income	Term Allocated Pension	TOTAL
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Investment Assets	108,632	1,688,073	2,319,298	60,484	32,878	-	4,209,365
Other Assets	-	39,386	10,307	-	-	-	49,693
TOTAL ASSETS/ SEGMENT ASSETS	108,632	1,727,459	2,329,605	60,484	32,878	-	4,259,058
TOTAL LIABILITIES/ SEGMENT LIABILITIES	10,489	27,546	599,882	1,305	614	-	639,836
NET ASSETS	98,143	1,699,913	1,729,723	59,179	32,264	-	3,619,222

Secondary Reporting - Geographical Segments

The Fund operates in a single geographical segment, namely the provision of superannuation benefits in Australia. Details of the Fund's investment exposure to overseas markets are set out in Note 3(e) above.

Accounting Policy

Segment information is prepared in conformity with the accounting policies of the entity as disclosed in Note 1 and the revised segment reporting accounting standard, AASB 1005 Segment Reporting, which was applied for the first time in the year ended 30 June 2002.

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, property, plant and equipment, net of related provisions. While most of these assets can be directly attributable to individual segments, the carrying amounts of certain assets used jointly by segments are allocated based on reasonable estimates of usage. Segment liabilities consist primarily of trade and other creditors, employee entitlements and provisions.

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 2005.

(2) Name and Qualification of Actuary

The valuation of funded liabilities was undertaken by GESB's actuary, Mercer Human Resource Consulting Pty Ltd. The valuation of unfunded accrued liabilities was performed by PricewaterhouseCoopers Securities Limited on behalf of the DTF.

(3) Relationship of Market Value of Net Assets to Vested Benefits

	Gold State Super	West State Super	Pension Scheme	Retirement Access	Retirement Income	Term Allocated Pension	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Gross Vested Benefits	4,505,069	3,030,575	2,465,759	125,491	74,159	695	10,201,748

The liability for vested benefits of the Fund related to funded liabilities as at 30 June 2005 may be compared to the net assets of the Fund at the reporting date for the purpose of considering the financial position of the Fund. These values are as follows:

	Gold State Super	West State Super	Pension Scheme	Retirement Access	Retirement Income	Term Allocated Pension	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Vested Benefits Related to Funded Liabilities	1,796,317	2,465,006	95,958	125,491	74,159	695	4,557,626

For the purpose of the actuarial valuation, the Market Value of Net Fund Assets was apportioned between the schemes as follows:

	Gold State Super	West State Super	Pension Scheme	Retirement Access	Retirement Income	Term Allocated Pension	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Apportionment of Market Value of Net Assets	1,956,022	2,506,958	106,688	125,138	73,148	(333)	4,767,621

(4) Financial Condition of each Scheme as at 30 June 2005

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

(a) Pension Scheme

The expected actuarial value of assets for the Pension Scheme exceeds the liabilities allocated to the scheme by approximately \$11 million. The scheme has sufficient assets to provide a mortality deterioration reserve of \$10 million but has no capability to finance an investment fluctuation reserve. 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 was in a satisfactory financial position and has sufficient assets to meet the payments in respect of accrued liabilities and most of the recommended investment fluctuation reserve.

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 value of scheme assets exceeded the value of member balances at 30 June 2005, inclusive of the minimum benefit guarantee in respect of benefits at 30 June 2001. Over the long term, the assets of the Fund are expected to be sufficient to meet benefits from the Scheme as they fall due.

(5) Reserves

In addition to the above funded liabilities, the actuary recommended that the schemes maintain a portion of their assets as explicit reserves. The reserves include a reserve for the minimum benefit guarantee, the full cost of which is also included in the valuation of the funded liabilities.

(6) Fund Summary

The overall financial position of the Fund at 30 June 2005 is as follows.

	2005
Net Assets (Excluding loans)	\$m
Gold State Super	1,956
West State Super	3,081
Pension Scheme	107
Retirement products	198
Total net assets	5,342
Actuarial Liabilities (Inclusive of reserves other than fluctuation reserves)	
Gold State Super	1,710
West State Super	3,030
Pension Scheme	96
Retirement products	200
Total actuarial liabilities	5,036

This means that the Actuary's best estimate is that assets exceed actuarial liabilities and reserves by \$306 million at 30 June 2005, before provision of fluctuation reserves (but allowing for other reserves).

It should be noted that \$5 million of the West State Super liabilities comprises the contingent minimum benefit guarantee. The Actuary expects that most of this amount will not in fact be incurred.

The excess assets of \$306 million are below the target fluctuation reserves of \$355 million for Gold State Super and the Pension Scheme.

In the opinion of the Actuary, the GES Fund is in a satisfactory financial condition at 30 June 2005.

NOTE 26: EVENT SUBSEQUENT TO BALANCE DATE

On the 29 April 2005, GESB signed contracts for the sale of the remaining 50% of Central Park, a directly owned prime CBD property. The sale was recognised at the point of settlement on 29 July 2005. The sale price supports the carrying value of the property contained in these financial statements.

NOTE 27: THE IMPACT OF ADOPTING INTERNATIONAL FINANCIAL REPORTING STANDARDS

GESB is in the process of transitioning its accounting policies and financial reporting from current Australian Accounting Standards (AGAAP) to Australian equivalents of International Financial Reporting Standards (AIFRS) which will be applicable for the financial year ending 30 June 2006. GESB has allocated internal resources to identify key areas that will be impacted by the transition to AIFRS.

Adoption of AIFRS requires the preparation of an opening Statement of Net Assets in accordance with AIFRS standards as at 1 July 2004, GESB's transition date to AIFRS. This will form the basis of accounting for AIFRS in the future, and is required when GESB prepares its first fully compliant financial report for the year ended 30 June 2006 for the purposes of disclosing prior year comparatives.

GESB will continue to comply with AAS 25 "Financial Reporting by Superannuation Plans" in the absence of a specific AIFRS related standard. As GESB is a reporting entity, GESB will be required to comply with all AIFRS except to the extent that the requirements set out in AAS 25 differ from AIFRS or where AIFRS specifies that particular standards do not apply to superannuation funds. The assessment of the introduction of AIFRS to GESB is that there will be no impact to its net assets and member balances. This assessment is based on management's best estimates.

It is also expected that there will be some changes to the presentation and disclosure of financial information within the financial statements. GESB is in the process of identifying differences and is collating all necessary information as part of its transition plan to AIFRS.

The actual effects of transition to AIFRS may differ from this assessment due to (a) potential amendments to AIFRSs and Interpretations thereof being issued by the standard-setters and International Financial Reporting Interpretation Council, and (b) emerging accepted practice in the interpretation and application of AIFRS and UIG Interpretation.



AUDITOR GENERAL

INDEPENDENT AUDIT OPINION

To the Parliament of Western Australia

GOVERNMENT EMPLOYEES SUPERANNUATION BOARD FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

Qualification

The Board could not effectively reconcile a number of general ledger clearing accounts throughout the year and at year-end as the Board's financial management system does not facilitate the identification of individual balances within the clearing accounts.

Qualified Audit Opinion

In my opinion,

- (i) except for the qualification, the controls exercised by the Government Employees Superannuation Board provide reasonable assurance that the receipt, expenditure and investment of moneys, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions; and
- (ii) the financial statements are based on proper accounts and present fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia and the Treasurer's Instructions, the net assets at 30 June 2005 and the changes in net assets for the year ended on that date.

Scope

The Board's Role

The Board is responsible for keeping proper accounts and maintaining adequate systems of internal control, preparing the financial statements, and complying with the Financial Administration and Audit Act 1985 (the Act) and other relevant written law.

The financial statements consist of the Statement of Changes in Net Assets, Statement of Net Assets and the Notes to the Financial Statements.

Summary of my Role

As required by the Act, I have independently audited the accounts and financial statements to express an opinion on the controls and financial statements. This was done by looking at a sample of the evidence.

An audit does not guarantee that every amount and disclosure in the financial statements 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.

D D R PEARSON
AUDITOR GENERAL
30 August 2005

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 2004/05.

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 ending 30 June 2005.

M Dolin
Director
Chief Executive Officer



31 August 2005

P J Harvey
Chairman



31 August 2005

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 2004/05. Included are key effectiveness and efficiency performance indicators required by the *Financial Administration and Audit Act 1985*. 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 2004/05.

Government Desired Outcome

GESB's Government Desired Outcome originates from the *State Superannuation Act 2000* and the *State Superannuation Regulations 2001*. GESB's Desired Outcome is:

"Improved long term financial security of members"

In achieving the Government 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

Since the year 2000, GESB has undertaken extensive member research as part of its aim to provide competitive superannuation, retirement and related products and services that are preferred by our members and contribute to their long-term financial security. The research monitors changes in the attitudes and perceptions of members towards GESB and the attractiveness and relevance of products, investment returns and customer service. The surveys are conducted by an independent research agency.

For the study this year a sample of 632 members were interviewed comprising:

- 325 West State Super members
- 205 Gold State Super members
- 102 inactive West State Super Members

In previous tracking studies only active West State Super and Gold State Super members have been interviewed. The inactive West State Super members were included this year to compare the attitudes and opinions of this group, no longer WA public servants, with those still working for the State Government.

A stratified random sampling process was used to ensure the sample was completely representative of active Gold State Super and West State Super members. The additional inactive West State Super members were not included in the weighted sample to maintain a comparative base for key performance indicators. 530 respondents provide a maximum level of error of up to $\pm 4.2\%$ at the 95% level of significance. The sample ensured that the results were representative and stable and provided an excellent basis for segmentation.

Responses Accuracy at the 95% Confidence Level

Member Survey

2002/03: 500	$\pm 4.4\%$
2003/04: 502	$\pm 4.4\%$
2004/05: 530	$\pm 4.2\%$

Percentage who are fairly satisfied, satisfied or extremely satisfied	2001/02	2002/03	2003/04	2004/05	2004/05 Target	2005/06 Target
Total West State Super and Gold State Super Members	62%	59%	66%	74%	70%	80%

Members' overall satisfaction with GESB has improved significantly to 74% since last year and is above target. This is due to a substantial increase in West State Super Members' satisfaction. Gold State Super members' overall satisfaction with GESB has been maintained at 87% with a significant increase in the proportion of Gold State Super members extremely satisfied with GESB, increasing from 18% in 2003/04 to 30% in 2004/05.

Percentage who are fairly satisfied, satisfied or extremely satisfied	2001/02	2002/03	2003/04	2004/05
West State Super Members	60%	59%	62%	71%
Gold State Super Members	74%	55%	83%	87%

Member satisfaction increased due to the following factors:

- Key concentrated and focused efforts by GESB to improve customer service
- An increased focus on communication, especially improvements to member statements
- The introduction of new services such as Member Online
- Sound investment performance

2. Investment Performance Against Benchmarks

2.1 Performance By Asset Classes

The following table shows the performance of the various asset classes compared to established industry benchmarks. Detailed commentary on the performance of each of the asset classes can be found in the Report on Operations.

All eight asset classes largely matched or outperformed their industry benchmarks for the year. Growth assets (equities and property) performed strongly with Australian Equities and Listed Property delivering strong returns. Over three years, six out of seven asset classes largely matched or outperformed their industry benchmark again with strong returns from Australian Equities and Listed Property.

Asset Class	Benchmark	1 Year GESB Gross Return %	1 Year Benchmark Gross Return %	3 Year GESB Gross Return pa %	3 Year Benchmark Gross Return pa %
Cash/Liquidity	UBS Warburg Australian Bank Bill Index	5.93	5.64	5.49	5.30
Fixed Interest	UBS Warburg Australian Composite Bond Index (All Maturities)	8.04	7.79	6.90	6.58
Inflation Linked Bonds	UBS Warburg Australian Inflation Linked Index	11.46	11.51	8.30	8.26
Global Bonds*	Lehman Brothers Global Aggregate Index	11.88	11.57	N/A	N/A
Direct Property	AMP Balanced Property Index	13.56	11.60	9.82	10.48
Listed Property	S&P/ASX300 Property Accumulation Index	18.59	18.40	16.12	15.89
Australian Equities	S&P/ASX300 Accumulation Index	26.45	26.03	15.30	14.71
International Equities	International Equity Benchmark	8.13	7.43	5.53	4.95
Total Fund	N/A	14.13	N/A	9.63	N/A

* Global bonds introduced in May 2004.

2.2 Performance of West State Super Plans

The effectiveness of being able to deliver satisfactory investment performance is measured through returns to members in excess of the benchmark. Over the past one and three years, all nine plans largely matched or outperformed their benchmarks.

Five year historical performance data is not available. However, all plans have largely matched or outperformed their benchmarks over the four years since the introduction of Members Investment Choice (1 July 2001).

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 13.52% against a benchmark return of 13.14%. Importantly the Balanced Plan's three year performance of 9.57% pa comfortably exceeded its benchmark by 0.44% pa.

Investment Plan	Benchmark	1 Year GESB Gross Return %	1 Year Benchmark Gross Return %	3 Year GESB Gross Return pa %	3 Year Benchmark Gross Return pa %
Cash Plan	UBS Warburg Australian Bank Bill Index	6.21	5.64	5.68	5.30
Conservative Plan	Notional Return on Benchmark Allocation	11.75	11.45	8.63	8.23
Balanced Plan	Notional Return on Benchmark Allocation	13.52	13.14	9.57	9.13
Growth Plan	Notional Return on Benchmark Allocation	14.11	13.67	9.68	9.23
MY Plan – Fixed Interest	Notional Return on Benchmark Allocation	7.98	7.75	6.82	6.56
MY Plan – Inflation Linked Bonds	Notional Return on Benchmark Allocation	11.37	11.39	8.26	8.20
MY Plan – Listed Property	Notional Return on Benchmark Allocation	18.49	18.14	15.93	15.68
MY Plan – Australian Equities	Notional Return on Benchmark Allocation	25.93	25.60	14.95	14.52
MY Plan – International Equities	Notional Return on Benchmark Allocation	8.14	7.40	5.39	4.98

2.3 Performance of Retirement Products

Retirement Access, Retirement Income Allocated Pension and Retirement Income Term Allocated Pension offer four diversified investment plans and four asset class specific plans. Their returns for the year are provided in the tables below. The plans have not been in force for three years. Where performance history is less than 1 year, the since inception* performance is shown.

Retirement Access Investment Plan	Benchmark	1 Year GESB Gross Return %	1 Year Benchmark Gross Return %
Cash Plan	UBS Warburg Australian Bank Bill Index	6.28	5.64
Conservative Plan	Notional Return on Benchmark Allocation	12.81	12.34
Balanced Plan	Notional Return on Benchmark Allocation	15.28	14.96
Growth Plan	Notional Return on Benchmark Allocation	16.70	16.43
MY Plan – Fixed Interest*	Notional Return on Benchmark Allocation	3.42	3.19
MY Plan – Listed Property*	Notional Return on Benchmark Allocation	0.78	1.50
MY Plan – Australian Equities*	Notional Return on Benchmark Allocation	8.51	7.38
MY Plan – International Equities*	Notional Return on Benchmark Allocation	4.02	3.66

Retirement Income Allocated Pension Investment Plan	Benchmark	1 Year GESB Gross Return %	1 Year Benchmark Gross Return %
Cash Plan	UBS Warburg Australian Bank Bill Index	6.22	5.64
Conservative Plan	Notional Return on Benchmark Allocation	12.69	12.34
Balanced Plan	Notional Return on Benchmark Allocation	15.27	14.96
Growth Plan	Notional Return on Benchmark Allocation	17.05	16.43
MY Plan – Fixed Interest*	Notional Return on Benchmark Allocation	N/A	N/A
MY Plan – Listed Property*	Notional Return on Benchmark Allocation	N/A	N/A
MY Plan – Australian Equities*	Notional Return on Benchmark Allocation	N/A	N/A
MY Plan – International Equities*	Notional Return on Benchmark Allocation	N/A	N/A

N/A – Plans have not yet been funded.

Retirement Income Term Allocated Pension Investment Plan	Benchmark	1 Year GESB Gross Return %	1 Year Benchmark Gross Return %
Cash Plan	UBS Warburg Australian Bank Bill Index	N/A	N/A
Conservative Plan*	Notional Return on Benchmark Allocation	2.86	2.02
Balanced Plan*	Notional Return on Benchmark Allocation	4.66	4.77
Growth Plan	Notional Return on Benchmark Allocation	N/A	N/A
MY Plan – Fixed Interest	Notional Return on Benchmark Allocation	N/A	N/A
MY Plan – Listed Properties	Notional Return on Benchmark Allocation	N/A	N/A
MY Plan – Australian Equities	Notional Return on Benchmark Allocation	N/A	N/A
MY Plan – International Equities	Notional Return on Benchmark Allocation	N/A	N/A

N/A – Plans have not yet been funded.

2.4 Gold State Super and the Pension Scheme

Gold State Super, Pension and Provident Schemes are treated as a single plan for investment purposes. This plan achieved a return of 14.65% for the year outperforming the benchmark return of 14.15%. The three year rolling performance was 9.64% pa comfortably outperforming the targeted investment objective of 6.55% pa (CPI + 4% pa over rolling three year periods). This plan has also outperformed its nominal benchmark by 0.21% pa over the past three years.

Efficiency Indicators

A Range of Competitive Products that are Relevant to Members

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 following performance indicators identify GESB's efficiency in providing a range of competitive products to its clients. The cost of administering member accounts and managing investments are the two indicators relevant to this Service.

1.1 Average Cost per Member Account of Administering West State Super, Gold State Super, Pension Scheme, Retirement Access, Retirement Income Allocated Pension, and Retirement Income Term Allocated Pension

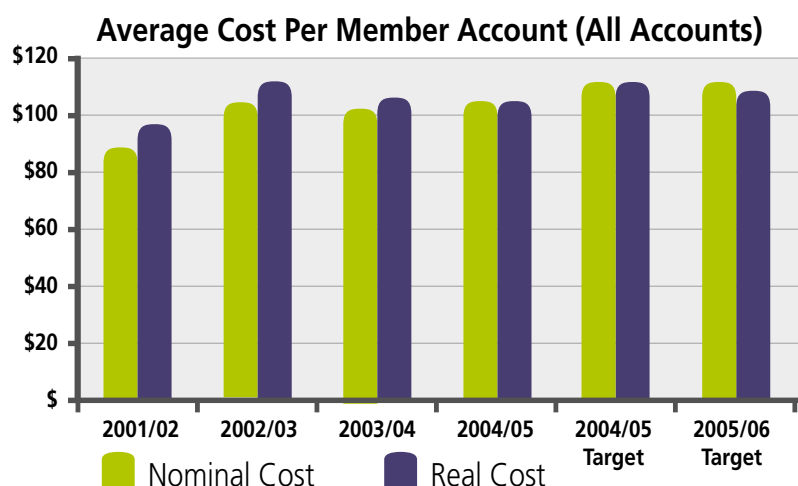
This indicator measures the direct costs of administering the superannuation schemes and related products including contributions processing, membership account maintenance, benefit payments, and responding to members' enquiries. The result is expressed as an average cost per member account for all schemes and products.

These indicators account for costs on an expense basis. The average cost of administering the schemes per member account for the 2004/05 financial year was \$104.08, a decrease of \$1.54 over the previous year in real terms. This is a result of effective cost management on the part of GESB in addition to its other strategic initiatives and achievements for the 2004/05 financial year, which includes the following:

- The launch of a new product, Term Allocated Pension
- Introduction of daily unit pricing to enable more frequent valuations for members in West State Super, Retirement Income and Retirement Access
- Implementation of Employer Online and Member Online (the new e-Business platform), which delivers to members and employer agencies a suite of internet-based business solutions
- Rebranding of GESB to show a fresher, friendlier more professional image
- Improved member communications and statements
- Implementation of email, web direct mail and mass marketing program
- Research and feasibility assessment of new superannuation-related products and services
- Preliminary analysis of the impact on members' in view of the Commonwealth initiative in allowing choice of superannuation funds
- Implementation of improvements to GESB's Enterprise Management Accounting System, including a new chart of accounts, new management reports and procedural changes to improve cost control and accountability

	2001/02	2002/03	2003/04	2004/05 ¹	2004/05 ¹ Target	2005/06 Target
Nominal Cost	\$88.92	\$104.34	\$101.80	\$104.08	\$112.02	\$111.68
Real Cost	\$96.65	\$111.10	\$105.62	\$104.08	\$112.02	\$108.42

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



1.2 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 having 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 measuring this indicator. The indicator reflects the cost of managing investments as a proportion of the average total fund value invested for the year. This indicator is normally referred to as a Management Expense Ratio (MER).

Tight control over investment costs and the increase in funds under management contributed to the MER of 0.34% for 2004/05 outperforming its target of 0.35%. The higher target for 2004/05 reflected the full cost of the domestic and international private equity, Australian equity and the cost of the full year implementation of the global bonds strategy.

The target for 2005/06 remains at 0.35%. This target has been set after taking into consideration the full year cost of the global property strategy and the anticipated cost of implementation of the international equity strategy which will be conducted during next year.

Management Expense Ratio	2001/02	2002/03	2003/04	2004/05	2004/05 Target	2005/06 Target
Management Expense Ratio - Investment Management Costs as a Percentage of Portfolio Mean Value Invested	0.28	0.27	0.30	0.34	0.35	0.35



AUDITOR GENERAL

INDEPENDENT AUDIT OPINION

To the Parliament of Western Australia

GOVERNMENT EMPLOYEES SUPERANNUATION BOARD PERFORMANCE INDICATORS FOR THE YEAR ENDED 30 JUNE 2005

Audit Opinion

In my opinion, the key effectiveness and efficiency performance indicators of the Government Employees Superannuation 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 2005.

Scope

The Board's Role

The Board is responsible for developing and maintaining proper records and systems for preparing performance indicators.

The performance indicators consist of key indicators of effectiveness and efficiency.

Summary of my Role

As required by the Financial Administration and Audit Act 1985, I have independently audited the performance indicators to express an opinion on them. This was done by looking at a sample of the evidence.

An audit does not guarantee that every amount and disclosure in the performance indicators is error free, nor does it 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 performance indicators.

D D R PEARSON
AUDITOR GENERAL
30 August 2005

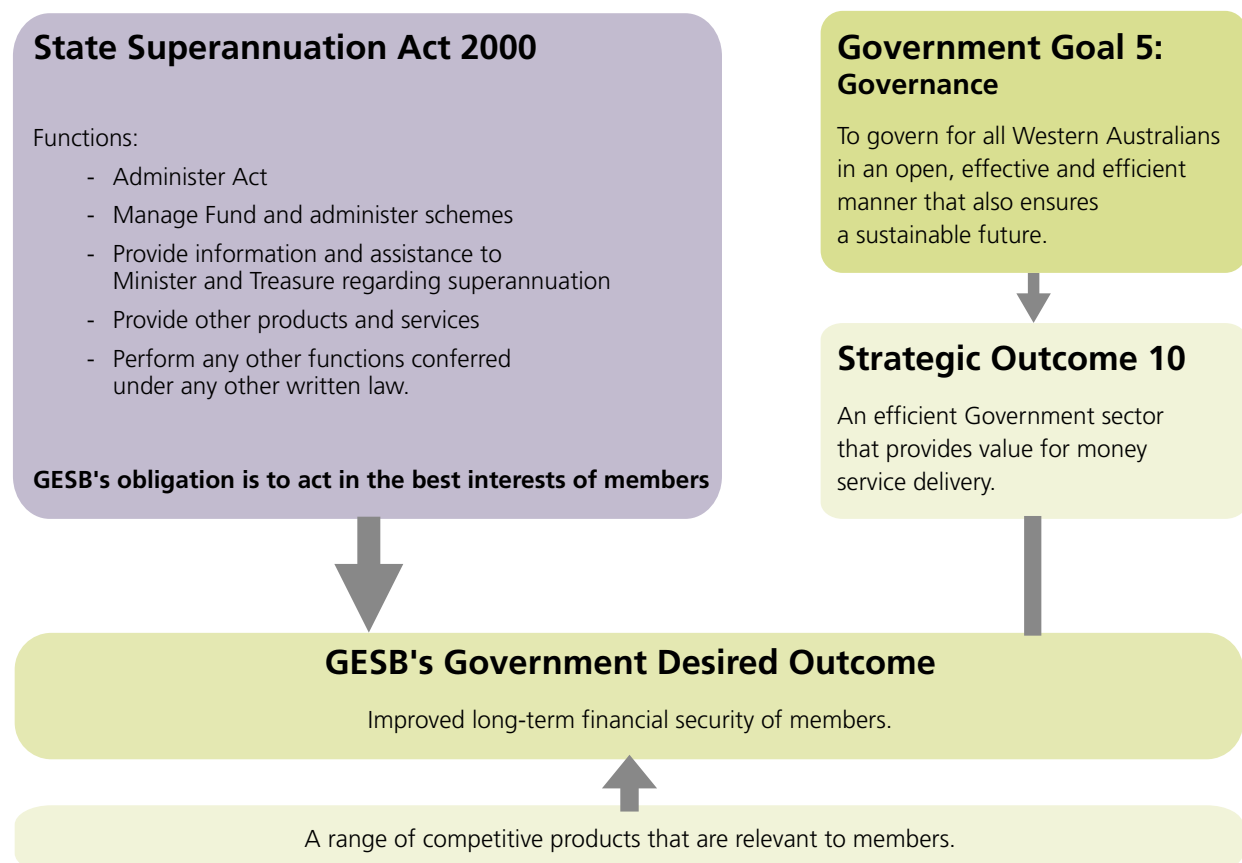
Appendices

- 1..... **Government Desired Outcome and Service**
- 2..... **Schemes Design**
- 3..... **Investment Schedules**
- 4..... **Legislation Administered**
- 5..... **Inter-Agency Working Groups**
- 6..... **Sustainability Triple bottom Line Reporting**
- 7..... **2005/06 Budget Estimates**
- 8..... **Publications and Contacts**

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, is "improved long term financial security of members", which is the same as GESB's vision and contributes to a more sustainable future for its members. GESB's Service, which contributes to the Government Desired Outcome, is to provide a range of competitive products that are relevant to members. The provision of competitive superannuation products and services with sound returns and low 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 achieve a more sustainable future for members.



GESB's corporate objectives are used as a basis for performance reporting and also underpin the structure of the Annual Report. GESB's performance in providing a range of competitive products that are relevant to members will be reported under Investment and Member and Employer Services.

Investment

A range of competitive products that are attractive and relevant to members

Member and Employer Services

A range of competitive products that are attractive and relevant to members

Cost Management

People Management

Appendix 2 – Schemes Design

GESB administers four superannuation schemes for State Public Sector workers – West State Super, Gold State Super, the Pension Scheme and the Provident Account. The fourth scheme, the Provident Account was closed in 1986 has only 5 remaining members and therefore details of the scheme are not provided.

In addition, GESB has introduced three new schemes for retiring members – Retirement Access, Retirement Income Allocated Pension and Retirement Income Term Allocated Pension.

The rules of West State Super, Gold State 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*.

West State Super

West State Super is an accumulation style scheme that was established with effect from 1 July 1992 to comply with the provisions of the Commonwealth's *Superannuation Guarantee (Administration) Act 1992*.

Earnings are credited to a member's account according to the investment strategy they have chosen from a range of four 'readymade' plans or from an alternative asset allocation under the 'MY Plan' option. A member may apply to change their choice of investment strategy at any time at no additional cost.

Membership

There are two categories of membership in West State Super – statutory and voluntary. With a few exceptions, all new employees joining the Western Australian State public sector are automatically statutory members. Members of Gold State Super and the Pension Scheme may become voluntary members of West State Super.

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.

1 July 2004 to 31 March 2005 The administration fee for this period was \$1.27 per week (\$5.50 per month) for an 'active' account, and \$0.99 per week (\$4.29 per month) for an 'inactive' account. An 'active' account was one in which there was at least one transaction per month. A benefit payment fee of \$25.00 also applied.

1 April 2005 to 30 June 2005 The fee structure was amended. The new 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 0.1% pa pro-rata of the end-of-month balance of the account. This is capped at \$150.00 pa (\$37.50 for the period April 2005 to June 2005). The benefit payment fee of \$25.00 has been abolished.

'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 MER's for the 'readymade' plans for 2004/05 ranged from 0.16% for the Cash Plan to 0.35% 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 employer 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 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 CPI.

Where the pensioner dies and is survived by a spouse or defacto 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.

Retirement Access

Retirement Access is a lump sum market-linked rollover facility and is available to Gold State Super and West State Super members who want to manage their lump sum in retirement.

Earnings are credited to a member's account based on the investment plan they have chosen from a range of four 'readymade' plans or 'MY Plan', with an investment mix selected by the member. These plans mirror those available to members of West State Super. The member may apply to change their investment plan at any time at no additional cost.

Membership

Gold State Super and West State Super members who are eligible to receive their superannuation benefit and are aged under 65 can transfer their accounts to Retirement Access. Pension Scheme retirees may also transfer any commuted lump sum component of their pension to the scheme. 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 and are under 65 years of age. Members of the Retirement Income Allocated Pension scheme are also eligible to transfer their benefit into Retirement Access.

Contributions

Only superannuation benefits that are immediately accessible can be transferred to Retirement Access. Members are able to invest additional lump sum contributions in Retirement Access.

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

With Retirement Access, 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.

Members can only leave their money in Retirement Access until age 65, unless they are either:

- Between 65 and 74 years and have worked at least 240 hours in the previous financial year
- Turned 75 years prior to 30 June 2004 and are working at least 30 hours a week

A 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, for example, 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 Retirement Access members who are looking for a regular income stream in retirement.

Earnings are credited to a member's account based on the investment plan they have chosen from a range of four 'readymade' plans or 'MY Plan'. These plans mirror those available to members of West State Super. The member may apply to change their investment plan at any time at no additional cost.

Membership

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

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.

Retirement Income Term Allocated Pension

Retirement Income Term Allocated Pension is available to members, former members and their partners, and members of the Pension Scheme, 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. However, an advantage is that a Term Allocated Pension qualifies for the Pension Reasonable Benefit Limit (RBL) – twice that of the Lump Sum RBL. It also has an advantage in regard to Centrelink Pensions as 50% of the pension account is exempt from the assets test.

Earnings are credited to a member's account based on the investment plan they have chosen from a range of four 'readymade' plans or 'MY Plan'. The member may apply to change their investment plan at any time at no additional cost.

Membership

A Retirement Income Term Allocated Pension account can be opened by 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 Term 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 Term Allocated Pension.

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 Term 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. Payments can be made monthly, quarterly or annually and the frequency can be changed at any time.

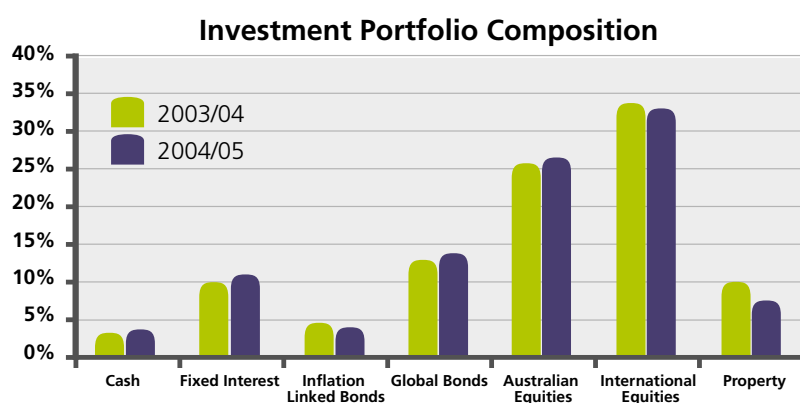
Generally, a Retirement Income Term Allocated Pension account may not be closed after the first six months. On death, the balance of the account is paid to the member's estate unless they have nominated a reversionary pensioner, in which case the pension will carry on while the reversionary is alive,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

Appendix 3 – Investment Schedules

Investment Portfolio Composition

The table below presents the split of assets in the investment portfolio for the last two years as at 30 June.

Sector	2003/04			2004/05		
	\$M	Total \$M	Total %	\$M	Total \$M	Total %
Cash						
Externally Managed	125.5			190.3		
Western Australian Treasury Corporation	10.5	136.0	3.2	9.5	199.8	3.7
Fixed Interest						
Internally Managed	3.8					
Externally Managed	417.7	421.5	10.0	568.4	568.4	10.6
Inflation Linked Bonds						
Externally Managed	185.2	185.2	4.4	206.5	206.5	3.9
Global Bonds						
Externally Managed	553.1	553.1	13.1	717.6	717.6	13.4
Australian Equities						
Internally Managed	380.4					
Externally Managed	706.2	1,086.6	25.8	1,382.40	1,382.40	25.8
International Equities						
Externally Managed	1,414.8	1,414.8	33.7	1,731.50	1,731.50	32.3
Property						
Externally Managed	412.4	412.4	9.8	552.3	552.3	10.3
Total		4,209.6	100		5,358.5	100.0



Strategic Asset Allocations

Strategic Allocations for the West State Super Diversified Plans and Gold State Super/Pension Scheme relative to the Strategic Asset Allocation as at 30 June 2005.

Asset Class	Gold State Super/ Pension Scheme	Cash	% Conservative	Balanced	Growth
Cash	3.1	100.0	2.2	2.1	2.1
SAA	2.0	100.0	2.0	2.0	2.0
Fixed Interest	5.8	0.0	29.9	15.0	8.0
SAA	6.0	0.0	30.0	15.0	8.0
Inflation Linked Bonds	3.8	0.0	4.0	4.0	4.0
SAA	4.0	0.0	4.0	4.0	4.0
Global Bonds	7.8	0.0	34.0	19.0	11.0
SAA	8.0	0.0	34.0	19.0	11.0
Australian Equities	32.5	0.0	10.0	20.0	25.0
SAA	32.0	0.0	10.0	20.0	25.0
International Equities	36.6	0.0	14.9	29.9	39.9
SAA	38.0	0.0	15.0	30.0	40.0
Property	10.5	0.0	5.0	10.0	10.0
SAA	10.0	0.0	5.0	10.0	10.0
Growth/Defensive	80/20	0/100	30/70	60/40	75/25

SAA: Strategic Asset Allocation

Year-End Asset Allocations for the West State Super MY Plan Asset Classes as at 30 June 2005.

Asset Class	My Plan Fixed Interest	% My Plan Inflation Linked Bonds	My Plan Australian Equities	My Plan International Equities	My Plan Property
Cash	2.0	2.0	2.3	2.2	2.3
SAA	2.0	2.0	2.0	2.0	2.0
Fixed Interest	98.0	0.0	0.0	0.0	0.0
SAA	98.0	0.0	0.0	0.0	0.0
Inflation Linked Bonds	0.0	98.0	0.0	0.0	0.0
SAA	0.0	98.0	0.0	0.0	0.0
Global Bonds	0.0	0.0	0.0	0.0	0.0
SAA	0.0	0.0	0.0	0.0	0.0
Australian Equities	0.0	0.0	97.7	0.0	0.0
SAA	0.0	0.0	98.0	0.0	0.0
International Equities	0.0	0.0	0.0	97.8	0.0
SAA	0.0	0.0	0.0	98.0	0.0
Property	0.0	0.0	0.0	0.0	97.7
SAA	0.0	0.0	0.0	0.0	98.0

SAA: Strategic Asset Allocation

Year-End Asset Allocations for the Retirement Access Diversified Plans as at 30 June 2005.

Asset Class	Cash	% Conservative	Balanced	Growth
Cash	100.0	0.3	4.1	2.0
SAA	100.0	2.0	2.0	2.0
Fixed Interest	0.0	30.5	14.7	8.0
SAA	0.0	30.0	15.0	8.0
Inflation Linked Bonds	0.0	4.1	3.9	4.0
SAA	0.0	4.0	4.0	4.0
Global Bonds	0.0	34.6	18.6	11.0
SAA	0.0	34.0	19.0	11.0
Australian Equities	0.0	15.3	29.4	40.1
SAA	0.0	15.0	30.0	40.0
International Equities	0.0	10.1	19.5	24.9
SAA	0.0	10.0	20.0	25.0
Property	0.0	5.1	9.8	10.0
SAA	0.0	5.0	10.0	10.0
Growth/Defensive	0/100	30/70	60/40	75/25

SAA: Strategic Asset Allocation

Year-End Asset Allocations for the Retirement Access My Plan Asset Classes as at 30 June 2005.

Asset Class	My Plan Fixed Interest	% My Plan Australian Equities	My Plan International Equities	My Plan Property
Cash	2.0	2.0	2.0	2.0
SAA	2.0	2.0	2.0	2.0
Fixed Interest	98.0	0.0	0.0	0.0
SAA	98.0	0.0	0.0	0.0
Inflation Linked Bonds	0.0	0.0	0.0	0.0
SAA	0.0	0.0	0.0	0.0
Global Bonds	0.0	0.0	0.0	0.0
SAA	0.0	0.0	0.0	0.0
Australian Equities	0.0	98.0	0.0	0.0
SAA	0.0	98.0	0.0	0.0
International Equities	0.0	0.0	98.0	0.0
SAA	0.0	0.0	98.0	0.0
Property	0.0	0.0	0.0	98.0
SAA	0.0	0.0	0.0	98.0

SAA: Strategic Asset Allocation

Year-End Asset Allocations for the Retirement Income Diversified Plans as at 30 June 2005.

Asset Class	Cash	% Conservative	Balanced	Growth
Cash	100.0	3.0	1.9	2.0
SAA	100.0	2.0	2.0	2.0
Fixed Interest	0.0	29.7	15.0	8.0
SAA	0.0	30.0	15.0	8.0
Inflation Linked Bonds	0.0	4.0	4.0	4.0
SAA	0.0	4.0	4.0	4.0
Global Bonds	0.0	33.6	19.0	11.0
SAA	0.0	34.0	19.0	11.0
Australian Equities	0.0	14.8	30.1	40.1
SAA	0.0	15.0	30.0	40.0
International Equities	0.0	9.9	20.0	24.9
SAA	0.0	10.0	20.0	25.0
Property	0.0	5.0	10.0	10.0
SAA	0.0	5.0	10.0	10.0
Growth/Defensive	0/100	30/70	60/40	75/25

SAA: Strategic Asset Allocation

Note: The Strategic Asset Allocations for Retirement Access and Retirement Income were changed effective January 2004. Changes were made to the Australian equity (increased) and International equity (decreased) allocations to optimise for tax and/or franking credit benefits in Australian equities.

Year-End Asset Allocations for the Retirement Income My Plan Asset Classes as at 30 June 2005.

Asset Class	My Plan Fixed Interest	% My Plan Australian Equities	My Plan International Equities	My Plan Property
Cash	N/A	N/A	N/A	N/A
SAA	2.0	2.0	2.0	2.0
Fixed Interest	n/a	0.0	0.0	0.0
SAA	98.0	0.0	0.0	0.0
Inflation Linked Bonds	0.0	0.0	0.0	0.0
SAA	0.0	0.0	0.0	0.0
Global Bonds	0.0	0.0	0.0	0.0
SAA	0.0	0.0	0.0	0.0
Australian Equities	0.0	N/A	0.0	0.0
SAA	0.0	98.0	0.0	0.0
International Equities	0.0	0.0	N/A	0.0
SAA	0.0	0.0	98.0	0.0
Property	0.0	0.0	0.0	N/A
SAA	0.0	0.0	0.0	98.0

SAA: Strategic Asset Allocation

N/A: Plans not yet funded

Year-End Asset Allocations for the Retirement Income Term Allocated Pension Diversified Plans as at 30 June 2005.

Asset Class	Cash	% Conservative	Balanced	Growth
Cash	N/A	2.0	2.0	N/A
SAA	100.0	2.0	2.0	2.0
Fixed Interest	0.0	29.9	15.0	N/A
SAA	0.0	30.0	15.0	8.0
Inflation Linked Bonds	0.0	4.0	4.0	N/A
SAA	0.0	4.0	4.0	4.0
Global Bonds	0.0	34.0	19.0	N/A
SAA	0.0	34.0	19.0	11.0
Australian Equities	0.0	15.1	30.1	N/A
SAA	0.0	15.0	30.0	40.0
International Equities	0.0	10.0	19.9	N/A
SAA	0.0	10.0	20.0	25.0
Property	0.0	5.0	10.0	N/A
SAA	0.0	5.0	10.0	10.0
Growth/Defensive	0/100	30/70	60/40	75/25

SAA: Strategic Asset Allocation

N/A: Plans not yet funded Year-End Asset Allocations for the Retirement Income Term Allocated Pension My Plan Asset Classes as at 30 June 2005.

Year-End Asset Allocations for the Retirement Income Term Allocated Pension My Plan Asset Classes as at 30 June 2005.

Asset Class	My Plan Fixed Interest	% My Plan Australian Equities	My Plan International Equities	My Plan Property
Cash	N/A	N/A	N/A	N/A
SAA	2.0	2.0	2.0	2.0
Fixed Interest	n/a	0.0	0.0	0.0
SAA	98.0	0.0	0.0	0.0
Inflation Linked Bonds	0.0	0.0	0.0	0.0
SAA	0.0	0.0	0.0	0.0
Global Bonds	0.0	0.0	0.0	0.0
SAA	0.0	0.0	0.0	0.0
Australian Equities	0.0	N/A	0.0	0.0
SAA	0.0	98.0	0.0	0.0
International Equities	0.0	0.0	N/A	0.0
SAA	0.0	0.0	98.0	0.0
Property	0.0	0.0	0.0	N/A
SAA	0.0	0.0	0.0	98.0

SAA: Strategic Asset Allocation

N/A: Plans not yet funded

External Fund Managers as at 30 June 2005

Type of Asset	Manager
Cash	Macquarie Investment Management Ltd Western Australian Treasury Corporation
Australian Equities	AMP Capital Investors Ltd Portfolio Partners Ltd Jenkins Investment Management Limited ABN Amro Asset Management Ltd* Perennial Value Management Ltd* SG Hiscock and Company Macquarie Investment Management Ltd
International Equities	State Street Global Advisors Aust Ltd Alliance Capital Management Ltd Fidelity International Ltd Wellington Management Company, LLP Macquarie Investment Management Ltd Genesis Fund Managers Ltd GMO Australia Ltd Goldman Sachs Asset Management International
Fixed Interest	ME Portfolio Management Ltd Credit Suisse Asset Management (Australia) Ltd UBS Asset Management (Australia) Ltd
Inflations Linked Bonds	AMP Capital Investors Ltd Credit Suisse Asset Management (Australia) Ltd
Global Bonds	Pacific Investment Management Company (PIMCO) Wellington Management Company, LLP
Listed Property	SG Hiscock and Company Deutsche Asset Management (Australia) Ltd Vanguard Investments Australia Ltd
Direct Property	Jones Lang LaSalle

* These external fund managers were appointed in 2004/05.

Asset Class Benchmark Performance Comparison – Year(s) ending 30 June 2005

Asset Class	% 1 Year		% pa 2 Years		% pa 3 Years	
	GES Fund	Benchmark	GES Fund	Benchmark	GES Fund	Benchmark
Cash	5.9	5.6	5.8	5.5	5.5	5.3
Australian Equities	26.5	26.0	25.1	23.8	15.3	14.7
International Equities	8.1	7.4	14.4	14.6	5.5	5.0
Fixed Interest	8.0	7.8	5.5	5.0	6.9	6.6
Inflation Linked Bonds	11.5	11.5	7.2	7.0	8.3	8.3
Global Bonds*	11.9	11.6	N/A	N/A	N/A	N/A
Listed Property	18.6	18.4	17.6	17.8	16.1	15.9
Direct Property	13.6	11.6	12.0	10.7	9.8	10.5

* Does not have a 2 year or 3 year performance history

Benchmarks

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

Cash	UBS Warburg Australian Bank Bill Index
Australian Equities	S&P/ASX 300 Accumulation Index
International Equities	A composite of the regional portfolios ex Australia including emerging markets 50% hedged in AUD
Fixed Interest	UBS Warburg Australian Composite Bond Index – All Maturities
Inflation Linked Bonds	UBS Warburg Australian Inflation Linked Index
Global Bonds	Lehman Brothers Global Aggregate Index 100% AUD Hedged
Listed Property	S&P/ASX 300 Property Trusts Accumulation Index
Direct Property	AMP Balanced Property Units Index

Appendix 4 – Legislation Administered

During 2004/05, GESB was directly responsible for administering the following State legislation:

- State Superannuation Act 2000
- Superannuation and Family Benefits Act 1938
- 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 Administration and Audit Act 1985
- 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
- Workers' Compensation and Rehabilitation Act 1981

Commonwealth Legislation Impacting on Activities

- Superannuation Industry (Supervision) Act 1993

The schemes administered by GESB are exempted from regulation under the *Superannuation Industry (Supervision) Act 2003* provided they conform with the principles of the Commonwealth's retirement incomes policy as reflected in the Heads of Agreement between the State and Commonwealth Governments.

Commonwealth Legislation Impacting on Activities

The Commonwealth legislative compliance requirements during 2004/05 comprised the following:

- Bankruptcy Act 1966
- Corporations Act 2001
- Child Support (Registration and Collection) Act 1988
- Family Law Act 1975
- Income Tax Assessment Act 1936
- Privacy Act 1988*
- Sex Discrimination Act 1984
- Superannuation Contributions Tax (Members of Constitutionally Protected Superannuation Funds) Assessment and Collection Act 1997
- Superannuation Guarantee (Administration) Act 1992
- Superannuation (Resolution of Complaints) Act 1993
- Superannuation (Unclaimed Money and Lost Members) Act 1999*
- Trade Practices Act 1974
- Veterans' Entitlements Act 1986

* While not required to comply with this legislation, GESB has implemented privacy procedures and guidelines in accordance with the Privacy Act 1988, and reports lost members in accordance with the Superannuation (Unclaimed Money and Lost Members) Act 1999.

Appendix 5 – Inter-agency Working Groups

Superannuation Consultative Group

Objective of group

Superannuation issues may impact across Western Australian State public sector agencies that have a policy advisory role within Government. GESB has identified the need for a coordinated approach to be taken when addressing these issues.

Activities of Group

The Superannuation Consultative Group (SCG) examines superannuation issues that are impacting or have the potential to impact on the Western Australian State Government. This includes consideration of:

- The implications of current or proposed Commonwealth/State regulatory frameworks, such as the treatment of superannuation for taxation purposes
- The implications of current or proposed Commonwealth policy and inter-governmental agreements, such as the Commonwealth's Retirement Incomes Policy and the Heads of Government Agreement on Superannuation
- The implications of current or proposed State government policy for public sector superannuation arrangements, such as the impact of the State's unfunded superannuation liability
- Changes within the broader superannuation industry, such as national regulatory requirements and superannuation arrangements and incentives for workers

Composition of Group

The SCG is composed of representatives from GESB, Department of Treasury and Finance, Department of Premier and Cabinet, Department of Consumer and Employment Protection and the Salaries and Allowances Tribunal.

Frequency of Meetings

The SCG met three times during 2004/05. Meetings were held in July 2004, December 2004 and in June 2005.

Superannuation Discussion Group

Objective:

Effective and informed high level discussion of superannuation issues that impact on prudential framework of the GES Fund and the State's finances and members of GES Fund.

Activities of Group

The Superannuation Discussion Group (SDG) meets quarterly to discuss and exchange information on superannuation issues that have impact or have the potential to impact on GESB and the Department of Treasury and Finance, and their Ministers. This includes consideration of:

- Issues that impact members of GESB's superannuation schemes
- Issues pertaining to the prudential supervision of the GES Fund
- The implications of current or proposed Commonwealth policy and intergovernmental agreements, such as the Commonwealth's Retirement Incomes Policy, the Commonwealth's Choice of Fund legislation and the Heads of Government Agreement on Superannuation
- The implications of current or proposed State government policy that may impact the State's superannuation liabilities
- Implications and changes to non-superannuation Commonwealth policy that impacts both GESB and the Department of Treasury and Finance (e.g. the National Competition Policy)
- Issues that may impact on the finances of the State generally

Composition of the Group

The Group is composed of representatives from GESB, and the Department of Treasury and Finance.

Frequency of Meetings

The SDG met three times during 2004/05. Meetings were held in September 2004, December 2004 and March 2005. The next SDG meeting is scheduled for August 2005.

Appendix 6 – 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	Status/result
Economic			
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 17.94%	Funds Under Management Growth increased by 27% in 2004/05 (Refer to Page 11)
	Effectively manage investment costs	Investment MER to be maintained at 0.35%	MER for 2004/05 was 0.34 (Refer to Page 88)
	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 2004/05 Annual Report	Completed
	Describe GESB's progress against sustainability action plan in Annual Report	Reported in 2004/05 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 70%	Overall Member Satisfaction for 2004/05 was 74% (Refer to Page 83)
Environment			
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 though minimising waste and resource consumption and maximising recycling	Migration from print to electronic media as appropriate	Increased reach without increasing mail-outs	Ongoing
		Number of website hits per month	Average of 63,565 hits per month on new GESB website
	Adopt efficient printing and copying practices to reduce paper consumption	Usage of paper per employee (including IT outsourced alliance)	Approx. 1,486 sheets of paper per employee
	Recycling of paper, cans and plastics	Emails/posters to encourage staff	Ongoing
	Investigate feasibility of waste audit in consultation with the Department of Environment	Waste audit undertaken subject to feasibility	Completed
		Tonnes of paper, plastic, cardboard and glass recycled	297 tonnes recycled by Central Park Visy Program (Refer to Page 40)

Commitments	Actions Related to Commitment	Outcomes	Status/result
Environment			
Achieving energy cost saving and reducing green house emissions	Investigate feasibility of Energy smart Initiatives such as timers on non-critical items, modifying light zones and installation of sub meter for computer room. Central Park Building energy rating of 4.5 stars for its energy efficiency under the Australian Building Greenhouse Rating Scheme be maintained.	Tenant energy average compared to Central Park average 4.5 stars rating	Ongoing (Refer to Page 40) Ongoing (Refer to Page 40)
Minimising water use	Investigate feasibility of undertaking Water audit in consultation with the Department of Housing and Works.	Water audit undertaken, subject to investigation	Completed (Refer to Page 40)
Minimising the number of vehicles, maximising fuel efficiency, reducing vehicle use and promoting travel alternatives	GESB will continue monitor to the appropriateness of its car fleet.	At least 20% cars powered by LPG 5 cars in fleet	20% of cars are powered by LPG 5 cars in fleet
Social			
Support employees in understanding and respecting diversity through anti-racist, equal opportunity and cross cultural awareness training programmes	Inclusion of EEO and diversity principles in wellness sessions Inclusion of EEO and diversity principles in staff induction kit	Gender Equity Index, Disability Index Percentage of staff who attended wellness session on EEO and diversity which was integrated with Harmony Day session	97% (Refer to Page 37) 40% (Refer to Page 37)
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	(Refer to Page 26)
Implementing health and safety measures in the workplace	Continue and extend the range of OHS practices where appropriate	Number of occurrences	1 (Refer to Page 26)

Appendix 7 – Budget Estimate 2005/06

Statement of Changes in Net Assets

FOR FINANCIAL YEAR ENDING 30 June	BUDGET 2006 \$'000
NET ASSETS AVAILABLE TO PAY BENEFITS AT THE BEGINNING OF THE FINANCIAL YEAR	4,010,657
Revenue from Ordinary Activities	
Investment Income	
Realised Income	93,834
Realised Changes in Net Market Value of Investment Assets	68,790
Unrealised Changes in Net Market Value of Investment Assets	209,574
Income from Investments	372,198
Less: Investment Expenses	(14,129)
	358,069
Superannuation Income	
Contributions	
Member	183,317
Employer	867,366
Rollover into Retirement Products	176,920
Inward Transfer from other Funds	182,191
Other Income	577
	1,410,371
Total Revenue From Ordinary Activities	1,768,440
Expenses from Ordinary Activities	
Superannuation Benefit Payments	750,245
Administration Expenses	28,042
Changes in Net Market Value of Other Assets	6,495
Loan Interest	37,651
Total Expenses From Ordinary Activities	822,433
TAX EXPENSE	22,256
NET ASSETS AVAILABLE TO PAY BENEFITS AT THE END OF THE FINANCIAL YEAR	4,934,408

Statement of Net Assets

FOR FINANCIAL YEAR ENDING 30 June	BUDGET 2006 \$'000
ASSETS	
Investment Assets	5,507,717
Property, Plant and Equipment	10,067
Sundry Debtors	26,447
Future Income Tax Benefit	27
Prepayments	2,323
Total Assets	5,546,581
LIABILITIES	
Contributions Paid in Advance	3,068
Unpaid and Accrued Liabilities	5,316
Sundry Creditors	30,123
Provision for Employee Entitlements	2,765
Provision for Superannuation Liabilities	3,231
Interest Bearing Liabilities	545,204
Current Tax Liabilities	22,256
Deferred Tax Liabilities	210
Total Liabilities	612,173
NET ASSETS AVAILABLE TO PAY BENEFITS	4,934,408

Appendix 8 – Publications and Contacts

The regular publications listed below are continually reviewed and updated to ensure the very latest information is available for clients. They are provided to assist members in understanding their options and entitlements and to assist employer agencies in meeting their superannuation obligations.

Regular Publications

For Members

- + Some – personal top-up contributions
- 1Place – consolidation of super
- Gold State Super Essentials – explains the benefits and features of Gold State Super. Other fact sheets included in the series:
 - Going Part-Time
 - Growing Your Super with Salary Sacrifice
 - Taking Unpaid Leave
 - Your Super and Tax
 - Your Super and Divorce
 - Your Super and Insurance
 - Resigning from the WA Public Sector
 - Your Super and Redundancy
- Super Outlook Member Reports for West State Super members
- Super Outlook Member Reports for Gold State Super members
- Hands on Retirement Member Reports for Retirement Access and Retirement Income members
- Investment Choice Brochure – Allows members to choose or change their investment plan
- Investment Guide – for West State Super members
- Investment Team Brochure – a profile of our Investment Team
- Member Online Brochure – Explains the benefits of Member Online
- Partner Contributions Brochure – explains the benefits and features of making partner contributions
- Performance Watch – Quarterly Investment Performance Report
- Your Complete Guide to West State Super - explains the benefits and features of West State Super
- Retirement Access Product Information Booklet – explains the benefits and features of Retirement Access
- Retirement Income Product Information Booklet – explains the benefits and features of Retirement Income Allocated Pension and Term Allocated Pension
- Your Retirement Options – explains the benefits of our retirement options
- Retirement Income Comparison Sheet – for comparison with other Allocated Pensions
- Retirement Planning '10 Things to Think About'
- Schedule of Fees – explains the fees and charges applicable to Retirement Income and Retirement Access
- Schedule of Fees – explains the fees and charges applicable to West State Super
- Resolving Your Complaint

For Employer Agencies

- Employer Easy Reference Guide
- Super Smart – keeps payroll staff up to date with relevant changes at GESB
- Salary and Allowances Guide – guide to assess the components of an employee's income that should be included as salary for superannuation purposes

General Publications

- Web site publications
- Annual Reports for past five years
- Client Services Charter
- Freedom of Information Statement
- Monthly Investment Performance figures
- Previous issues of Employer newsletters and Member reports
- News updates

Web Site

www.gesb.wa.gov.au an alternative to the printed publications, accessible 24 hours a day, 7 days per week

Contact Details

GESB

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Hours of Business:

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How to contact us

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