



HESTA Annual Report

for the financial year ending 30 June 2010

Issued 13 September 2010



CEO and Chair welcome

HESTA has experienced continued strong growth with more than 690,000 members, 90,000 employers and over \$15 billion in funds under management. Our size delivers a number of benefits to members, such as the ability to keep our fees low and the resources to provide education and advice about super.

HESTA has again delivered a competitive return – 10.1% for Core Pool where the majority of members have their super. Our ten year, top quartile, return for Core Pool is 5.8%. Details about returns for previous financial years and HESTA's other investment options can be found on page 4 of this Annual Report.

At HESTA we welcome any legislative changes that will improve the retirement outcomes of those working in health and community services. HESTA has been a long-term advocate for changes that recognise the particular challenges women face in building their super, including broken work patterns, part-time work and lower salaries. We will continue to lobby the government for improvements for our members.

Amid mounting concern about the poor representation of women on Australian company boards, HESTA is pleased that in 2010 half of our Directors are women. As well, our leadership team – Chair, Deputy Chair and CEO – is all female.



Anne-Marie Corboy
CEO



Angela Emslie
Board Chair

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What you need to know about this Annual Report and HESTA's products

This HESTA Annual Report contains information about HESTA Super Fund ABN 64 971 749 321, SPIN HST0100AU and is produced by H.E.S.T. Australia Limited, (the Trustee of the Health Employees Superannuation Trust Australia), ABN 66 006 818 695, AFSL No. 235249.

Except where specifically mentioned, this Annual Report does not relate to the HESTA Super Income Stream. Please refer to the HESTA Super Income Stream Annual Report, available at hesta.com.au from 30 September 2010, for more information regarding that product.

Care is taken to ensure that information is correct at the date of preparation, but neither the Trustee nor its advisers accept responsibility for any error or misprint, nor for anyone acting on this information, which is of a general nature. It does not take into account your objectives, financial situation or specific needs so you should look at your own financial position and requirements before making a decision. You may wish to consult an adviser when doing this. The information also represents HESTA's interpretation of the law in some instances but should not be relied upon as legal advice.

Please note investments can go up and down. Past performance is not a reliable indicator of future performance. Consider our Product Disclosure Statement before making a decision about HESTA – free call 1800 813 327 or visit hesta.com.au/pds for a copy.

Investment performance for year ending 30 June 2010

HESTA's most popular option, Core Pool has returned **10.1%** for the year ending 30 June 2010.

Returns

Ready-Made Investment Pools	To 30 June (%)	2010	2009	2008	2007	2006	5-year average
	Cash Plus	8.0	-4.1	-0.8	10.7	8.9	4.3
	Core Pool	10.1	-12.3	-5.4	16.7	14.4	4.0
	Shares Plus	11.6	-13.1	-9.2	18.8	16.1	4.0
	Eco Pool	13.6	-7.1	-12.7	18.2	14.3	4.5
	Overseas Share Pool	12.9	-14.4	-14.8	15.3	14.4	1.6
	Australian Share Pool	15.1	-12.4	-12.6	30.3	19.9	6.6
	To 30 June (%)	2010	2009	2008	2007	2006	5-year average
Your Choice Asset Classes	Cash	3.6	2.8	3.6	5.3	4.7	4.0
	Fixed Interest	8.7	6.4	3.7	4.1	2.2	5.0
	Absolute Return Strategies	10.9	-15.2	4.8	11.9	10.4	4.0
	Property	0.7	-20.0	5.5	13.9	12.5	1.7
	Infrastructure	7.5	-9.8	10.1	13.4	10.2	5.9
	International Shares	10.7	-15.6	-15.4	13.8	14.6	0.6
	Australian Shares	14.5	-13.4	-12.2	29.5	20.7	6.3
	Private Equity	12.7	-13.3	7.1	12.1	19.0	6.9

How returns are applied to HESTA accounts

Each month, HESTA declares interest rates that reflect net investment results, which may be positive or negative. Interest is applied to members' accounts at 30 June each year, based on the members' daily balance and investment choice. Interim interest rates are used when processing benefit payments during the year. Following a partial withdrawal, interest will be recalculated after the declaration of final rates, which may result in the member's remaining balance being higher or lower than initially indicated. When investment markets are declining, values may decrease and these will be applied to members' accounts as negative interest.

If declared interest rates are subsequently adjusted, the variation will be applied to member balances. For exited members, any positive adjustment of \$20 or more will be paid.

HESTA protects member account balances of less than \$1,000 at 30 June from depletion by administration fees, with a member benefit protection rebate.

Investment management and performance costs shown on page 5, the Trustee operating cost (0.10%) and the member benefit protections cost (0.02% in 2009/2010) are deducted from investment earnings before returns are declared.

Investment management and performance costs

The estimated combined investment management and performance costs for 2009/2010 are shown below.

Updated management and performance costs are available at hesta.com.au/fees

Ready-Made Investment Pools	%	Your Choice Asset Classes	%
Cash Plus	0.35	Cash	0.01
Core Pool	0.81	Fixed Interest	0.25
Shares Plus	0.84	Absolute Return Strategies	1.25
Eco Pool	0.40	Property	0.72
Overseas Share Pool	0.90	Infrastructure	0.75
Australian Share Pool	0.73	International Shares	0.74
		Australian Shares	0.62
		Private Equity	4.37

Investment options at 30 June 2010, in detail

Ready-Made Investment Pools

Objective

Strategy^

Cash Plus (to be re-named Conservative Pool from 1 November 2010)

Cash Plus aims for the lowest year-to-year variation in returns of all HESTA's Ready-Made Investment Pools, with the expectation of lower rates of return than Core Pool over the long term. It's the most conservative of HESTA's pools and is specifically designed to offer a low-risk investment. It aims to provide stable returns slightly greater than those achieved by investing in cash alone.

Cash Plus aims to achieve CPI +3%. Probability of a negative annual return is about 1 in 20 years.*

Cash Plus has an asset allocation with more exposure to cash and fixed-interest markets than other Ready-Made Pools.

It is designed to offer members a low-risk investment which seeks greater returns than cash alone. Almost 30% of its investment is in shares. This is because shares tend to have a low correlation, or relationship, with cash and as one rises in value, the other may be expected to fall. So, by investing a proportion in shares, we help reduce the risk while enhancing the potential return over the longer term.

Core Pool

Core Pool aims to optimise returns while in the short term achieving consistently better returns than the 90-day bank bill rate (adjusted for tax) and rarely having an interest rate less than zero.

Core Pool aims to achieve CPI +4%. Probability of a negative annual return is about 1 in 8 years.*

Core Pool uses the strategy of investing in a diversified but balanced mix of assets aiming to provide a consistent return.

The asset mix may vary during the year in accordance with market conditions to help achieve this consistency of return. It's the only pool that holds a reserve which is targeted to be at least 0.2% of total assets.

Continues on page 6

Shares Plus

Shares Plus aims to provide higher long-term returns than Core Pool. This recognises that there is likely to be substantial year-to-year variation in returns and even in the longer term, Shares Plus may not outperform other pools. It has a diversified portfolio that includes assets other than shares.

Shares Plus aims to achieve CPI +5%. Probability of a negative annual return is about 1 in 6 years.*

Shares Plus has a mixed asset allocation, with more exposure to the share market than Core Pool. However, its diversification means it has a lower risk profile than an investment in shares alone such as Australian Share Pool or Overseas Share Pool.

Eco Pool

Eco Pool aims to optimise long-term returns while investing in companies that demonstrate best practice environmental and sustainability performance within their industry sector, relative to their peers. Its high allocation to shares means there is likely to be significant year-to-year variation in returns, and although we expect long-term returns similar to Core Pool, Eco Pool may not outperform other pools, even in the long term.

Eco Pool aims to achieve CPI +4%. Probability of a negative annual return is about 1 in 5 years.*

Eco Pool invests in Australian shares, international shares, Australian direct property and cash investments.

The Australian shares component is selected via an environmental screen, while the international shares component is screened according to economic, environmental and social criteria. Companies are evaluated and rated for environmental management and sustainability practices within their sector. After being assessed for their financial performance, investments are made in the comparatively best-rated companies in each sector.

The property investment is rated four green stars under the Green Building Council Australia's guidelines and has a NABERS Energy Base Building Rating of 4.5 stars. It is considered a defensive asset.

Overseas Share Pool (this option will no longer be available from 1 November 2010)

By investing purely in international shares, Overseas Share Pool aims to achieve higher long-term returns than Core Pool and Shares Plus. However, with the prospect of increased returns comes a high level of risk and more year to-year variations in performance are likely.

Overseas Share Pool aims to achieve CPI +5%. Probability of a negative annual return is about 1 in 4 years.*

Overseas Share Pool invests purely in international shares, including small companies and emerging markets. Therefore it has a higher exposure to overseas share markets than other pools. However, diversification is achieved by investing across many different markets and countries. It's also more aggressively managed than most other HESTA options (including Your Choice share options) and therefore has a higher risk profile than the Your Choice International Shares asset class. It may include managers that also short sell shares.

Australian Share Pool (this option will no longer be available from 1 November 2010)

Australian Share Pool aims to achieve higher long-term returns than most pools. It is not widely diversified and accepts that the prospect of increased returns means a high level of risk, with more year-to-year variations in performance.

Australian Share Pool aims to achieve CPI +5%. Probability of a negative annual return is about 1 in 4 years.*

Australian Share Pool invests in Australian shares, including an overweight exposure to small companies. This impacts on the diversification of the pool and, combined with an aggressive management strategy, it has the highest risk profile of all options (including Your Choice share options).

This product may at times hold a small percentage of its assets in shares of companies not listed on the Australian Stock Exchange. It may include managers that also short sell shares.

^ HESTA may make changes to the investment options at any time. The investment options available may also change. For updated information, visit the **HESTA Investment Centre** on our website.

*Figures representing the long-term probability of negative returns have been determined by HESTA's asset consultant Frontier Investment Consulting, based on capital market assumptions, and actual outcomes may vary.

Your Choice Asset Classes

Objective	Strategy^
Cash	
Your Choice Cash aims to produce a return equivalent to or higher than the Overnight Cash Rate. It's the most conservative of the Your Choice options.	Your Choice Cash is 100% invested in cash. It's updated with investment earnings and movements in values.
Your Choice Cash aims to achieve CPI +1%. Probability of a negative annual return is negligible.*	
Fixed Interest (to be re-named Global Bonds from 1 November 2010)	
Your Choice Fixed Interest aims to produce a return that is higher than the UBS Composite Bond Index. It's less conservative than cash, in that it may produce a negative return, but is more conservative than the other Your Choice options.	Your Choice Fixed Interest is 100% invested in fixed income products. It will have investments in both Australian and international fixed interest, including products that specialise in investing in corporate bonds (known as 'credit'). Investments are managed in a style similar to that used by Core Pool for this asset class. The currency exposures in international bonds are fully hedged.
Your Choice Fixed Interest aims to achieve CPI +2%. Probability of a negative annual return is about 1 in 25 years.*	
Absolute Return Strategies (this option will no longer be available from 1 November 2010)	
Your Choice Absolute Return Strategies invests in hedge funds. It aims for returns considerably above cash returns, but it may produce a negative return from time to time.	Your Choice Absolute Return Strategies is 100% invested in absolute return strategy products primarily through international managers, although it may include Australian managers. Investments are managed in a style similar to that used by Core Pool for this asset class. Its currency exposures are fully hedged.
Your Choice Absolute Return Strategies aims to achieve CPI +4%. Probability of a negative annual return is about 1 in 7 years.*	
Property	
Your Choice Property aims to produce a return equivalent to or higher than the Mercer Direct Property Index. It's less conservative than cash or fixed interest, in that it may produce a negative return, but is more conservative than the remaining Your Choice options.	Your Choice Property is 100% invested in unlisted property products. It will have investments in both Australian and international property. Investments are managed in a style similar to that used by Core Pool for this asset class. The currency exposures in international property are fully hedged.
Your Choice Property aims to achieve CPI +4%. Probability of a negative annual return is about 1 in 9 years.*	
Infrastructure	
Your Choice Infrastructure aims to produce a return that is significantly higher than the UBS Composite Bond Index. It has holdings in unlisted companies and, although these are not considered speculative, is likely to produce negative returns from time to time. Returns should be less volatile than for other equity investments.	Your Choice Infrastructure is invested primarily in unlisted infrastructure products. It will have investments in both Australian and international infrastructure. Investments are managed in a style similar to that used by Core Pool for this asset class. The currency exposures in international infrastructure are fully hedged.
Your Choice Infrastructure aims to achieve CPI +4%. Probability of a negative annual return is about 1 in 6 years.*	

Continues on page 6

Objective

Strategy^

International Shares

Your Choice International Shares invests in international shares. It aims to produce high long-term returns, but is very likely to produce negative returns from time to time.

Your Choice International Shares aims to achieve CPI +5%. Probability of a negative annual return is about 1 in 4 years.*

Your Choice International Shares is invested in listed international shares. Investments are managed in a style similar to that used by Core Pool for this asset class. The currency exposures in international shares are managed under HESTA's active currency overlay program policy. It may include managers who also short sell shares.

Private Equity

Your Choice Private Equity invests in Australian and overseas private equity. It aims to produce high long-term returns, but it is very likely to produce negative returns from time to time. Your Choice Private Equity aims to achieve CPI +7%. Probability of a negative annual return is about 1 in 5 years.*

Your Choice Private Equity is 100% invested in private equity products. It will have investments in both Australian and international private equity. Investments are managed in a style similar to that used by Core Pool for this asset class. The currency exposures in international private equity are fully hedged.

^ HESTA may make changes to the investment options at any time. The investment options available may also change.

For updated information, visit the **HESTA Investment Centre** on our website.

*Figures representing the long-term probability of negative returns have been determined by HESTA's asset consultant Frontier Investment Consulting, based on capital market assumptions, and actual outcomes may vary.

Strategic Asset Allocation at 30 June 2010

	Ready-Made Investment Pools						Your Choice Asset Classes							
	Cash Plus (%)	Core Pool (%)	Shares Plus (%)	Eco Pool (%)	Overseas Share Pool (%)	Australian Share Pool (%)	Cash (%)	Fixed Interest (%)	Absolute Return Strategies (%)	Property (%)	Infrastructure (%)	International Shares (%)	Australian Shares (%)	Private Equity (%)
Cash	34	4	2	10			100							
Australian fixed interest	15	6						60						
International fixed interest	10	4						40						
Absolute return strategies	2	2							100					
Opportunistic growth		3	5											
Australian direct property	4.5	9	6	10						75				
International direct property	1.5	3	2							25				
Australian infrastructure	2.7	5	3.6								45.5			
International infrastructure	3.3	6	4.4								54.5			
International shares	12	23	33	35	100							100		
Australian shares	15	31	40	45		100							100	
Australian private equity		1	1											25
International private equity		3	3											75

The strategic asset allocations may change during the year without prior notice. Any variations will be reported at hesta.com.au

HESTA's financial statements

Following are HESTA's unaudited accounts for 2009/2010. Fully audited accounts and the auditor's report will be available from the end of October 2010. Free call 1800 813 327 to obtain a copy.

Draft Statement of financial position

	30 June 2010 (\$)	30 June 2009 (\$)
Assets/Investments		
Accumulation funds		
Absolute Return Funds	259,818,280	231,731,447
Absolute Return Strategies Growth	186,106,087	108,648,174
Cash & short term deposits	1,495,982,350	1,675,899,898
Currency hedging	(64,144,929)	150,481,554
Commodities	-	(2,313)
Other interest bearing securities	1,435,169,163	899,317,242
Listed Australian Equities	4,485,938,067	3,501,394,272
Listed Foreign Equities	3,257,114,834	2,240,996,048
Property	1,451,841,757	1,488,842,248
Infrastructure & Private Equity	2,681,513,650	2,414,958,637
	15,189,339,258	12,712,267,206
Super Income Stream		
Fixed Interest Fund	15,470,107	14,828,599
Growth Fund	114,409,677	65,761,959
High Growth	7,392,516	4,837,610
Property Fund	2,309,929	1,503,195
Secure Fund	16,987,910	14,008,090
Stable Fund	37,070,345	23,602,013
Australian Equities	13,336,703	5,635,663
Cash & Liquid Assets	26,675,121	22,426,836
International Equities	2,051,662	919,705
Other	4,230,258	381,238
	239,934,226	153,904,908
Total investments	15,429,273,485	12,866,172,114
Other assets		
Cash at bank	111,050,082	19,190,629
Fixed assets	1,469,283	1,040,777
GST receivable	-	467,781
Other assets	165,669	774,298
Deferred tax assets	131,714,696	191,385,390
Total other assets	244,399,730	212,858,874
Total assets	15,673,673,215	13,079,030,988
Liabilities		
Accounts payable	39,113,862	29,134,593
Provision for employee benefits	1,053,775	1,040,491
Income tax payable	134,694,588	122,782,830
Deferred tax liabilities	6,868,331	31,017,512
Total liabilities	181,730,557	183,975,427
Net assets available to pay benefits	15,491,942,657	12,895,055,561
Represented by:		
Liability for accrued benefits		
Allocated to member accounts	15,199,314,468	12,688,568,777
Allocated to income stream accounts	238,049,223	165,564,300
Not yet allocated to member accounts	6,596,770	3,189,395
Reserves	47,982,196	37,733,088
	15,491,942,657	12,895,055,561

Draft Operating statement

	2010	2009
Investment revenue	(\$)	(\$)
Dividends	191,083,827	173,649,197
Trust distribution income	283,912,286	318,605,589
Interest	69,602,814	59,576,829
Other investment income	3,447,523	(13,209,972)
Change in net market value of investments	913,910,934	(2,297,318,206)
Direct investment expenses	(51,398,128)	(37,852,284)
Net investment revenue	1,410,559,256	(1,796,548,847)
Contribution revenue		
Employer contributions	1,755,971,816	1,668,685,284
Members' contributions	245,543,458	237,357,162
Transfers from other superannuation funds	354,329,176	317,780,702
Transfers from other superannuation funds – income stream	103,715,267	107,887,574
	2,459,559,717	2,331,710,722
Other revenue		
Group life insurance proceeds	40,692,529	31,163,119
Other income	104,032	37,128
	40,796,561	31,200,247
Total revenue from ordinary activities	3,910,915,534	566,362,122
Expenses from ordinary activities		
Group life insurance expenses	90,976,310	87,993,764
Administration expenses	23,547,881	24,679,765
Operating expenses	30,614,174	22,211,776
Superannuation contributions surcharge	868	5,992
Total expenses from ordinary activities	145,139,232	134,891,296
Benefit accrued as a result of operations before income tax	3,765,776,302	431,470,826
Income tax expense	324,864,451	37,578,987
Benefit accrued as a result of operations after income tax	3,440,911,851	393,891,838

HESTA's reserving policy

HESTA retains a small investment reserve for the purpose of rounding the Core Pool interest rate applied to members' accounts. These reserves are targeted to be at least 0.2% of total assets.

2010 — \$37.564 million (audited)

2009 — \$33.211 million (audited)

2008 — \$35.544 million (audited)

HESTA's derivatives policy

Derivatives are often purchased as a form of investment insurance, and include:

- futures and options: agreements to buy or sell an asset like gold, shares or bank bills in the future at a price set now
- forward rate agreements: agreements to borrow or lend money in the future at an interest rate set now
- swaps: an interest rate, currency or equity exchange between two parties
- warrants: certificates that enable a purchaser to buy stocks at a certain price within a set time frame.

Derivatives are financial instruments linked to the future purchase or sale of securities, such as shares or other assets. They are common risk management tools. HESTA has some investment in derivatives. Derivatives can be used to reduce portfolio risk, or increase it. HESTA uses tight controls to reduce unintended risk.

Derivatives have a role to play as part of HESTA's overall investment strategy and aim to minimise investment risk in the portfolio while maximising investment returns. HESTA's policy on derivatives allows investment managers to use derivatives to pursue their investment objectives, particularly for controlling risk. HESTA's policy allows the Trustee to use derivatives to implement strategies within the Fund.

Managers are not allowed to exceed specific asset sector investment guidelines limiting the circumstances under which they may use derivatives. Derivatives may be used in the management of the portfolio but not used to gear the portfolio or create net short positions.

Superannuation surcharge

The Federal Government abolished the Superannuation surcharge tax from 1 July 2005. However, surcharges for prior years may still appear on your statement as a deduction from your account.

Super changes you need to know about

Unclaimed money

In certain circumstances super funds are required to transfer unclaimed superannuation accounts to the Australian Taxation Office (ATO).

From 1 July 2010, these circumstances were expanded to include where an account is held by a lost member and:

- it has a balance of less than \$200; or
- the fund has not received an amount in respect of the member within the past five years and the fund, given the information reasonably available, is satisfied that it will never be possible to pay an amount to the member.

Individuals are able to reclaim their unclaimed super from the ATO at any time. Use ato.gov.au/superseeker to search for unclaimed super.

Service fees

HESTA's fees for splitting super accounts on divorce will alter from 1 December 2010:

- provision of account information : \$100
- family law account splitting : \$77.25

2010-2011 super tax thresholds

Low rate cap

The limit on the amount of the taxable component of a super lump sum benefit that an individual can receive between their preservation age and age 60 at a nil rate of tax is \$160,000 for 2010/11.

Untaxed plan cap

The limit on concessional tax treatment applied to benefits rolled into HESTA that have not previously been subject to contributions tax in a super fund is \$1.155 million for 2010/11.

CGT cap

The limit of contributions arising from the disposal of qualifying small business assets that can be excluded from the non-concessional contribution cap is \$1.155 million for 2010/11.

SG maximum earnings base

The limit of an individual's earnings for which an employer is required to make a minimum contribution (9%) is \$42,220 per quarter for 2010/11.

Co-contributions threshold

The 2010/11 co-contribution thresholds (\$31,920 and \$61,920) will be maintained at the same level as for 2009/10.

Changes to HESTA's investment options from 1 November 2010

Investment options closed

The Overseas Share Pool, Australian Share Pool and Absolute Return Strategies options will be closed.

Investment options re-named

Cash Plus will be re-named Conservative Pool, and Fixed Interest will be re-named Global Bonds.

Changes to strategic asset allocation

From 1 November 2010 a number of changes will be made to the strategic asset allocation of some Ready-Made Investment Pools and Your Choice Asset Classes. The strategic asset allocation from 1 November 2010 is outlined below. The strategic asset allocations may change during the year without prior notice and depending on when you view this Annual Report, may be different to what is reported. Visit hesta.com.au for the current strategic asset allocations.

Strategic asset allocation from 1 November 2010

	Ready-Made Investment Pools				Your Choice Asset Classes						
	Conservative Pool (%)	Core Pool (%)	Shares Plus (%)	Eco Pool (%)	Cash (%)	Global Bonds (%)	Property (%)	Infrastructure (%)	International Shares (%)	Australian Shares (%)	Private Equity (%)
Cash	34	4	2	10	100		10	10			10
Australian bonds	11.3	5				50					
International bonds	11.2	5				50					
Unlisted debt	4.5	2									
Opportunistic growth		3	5								
Australian direct property	3.6	8	5.1	10			67.5				
International direct property	1.4	3	1.9				22.5				
Australian infrastructure	2.7	5	3.6					40			
International infrastructure	3.3	6	4.4					50			
International shares	12	23	33	35					100		
Australian shares	15	31	40	45						100	
Australian private equity		1	1								22.5
International private equity		3	3								67.5
Other assets	1	1	1								

The strategic asset allocations may change during the year without prior notice. Any variations will be reported at hesta.com.au

Who takes care of HESTA?

HESTA is run by H.E.S.T. Australia Limited, an APRA and ASIC licensed trustee company with Guarantors (who don't receive dividends). Guarantors represent employee and employer organisations and are eligible to nominate Directors to the Board.

There are 14 Trustee Directors on HESTA's Board, with equal appointments from employee and employer organisations in the health, aged care and community services fields. This ensures the voices of both employers and members are heard and that their views are taken into account when decisions are made.

The Board meets nine to ten times a year, managing every aspect of the Fund's responsibilities and overseeing the administration, investments and future direction of HESTA. The role of the Board is to govern the operations of HESTA, ensuring the Fund is administered in accordance with the Trust Deed, relevant legislation and regulations, and to determine the strategic direction of the Fund.

Although the Trustee Company is required to hold professional indemnity insurance to protect both itself and the Directors from claims against them, there has never been a claim under the insurance policy and no penalties have been imposed under the Superannuation Industry (Supervision) Act 1993, which covers the regulation, responsibilities and activities of super funds. If you would like to know more about the governing rules of the Fund, you can obtain a full copy of HESTA's Trust Deed or the rules governing the appointment of Trustee Directors by contacting HESTA on free call 1800 813 327.

If you have any feedback on your Annual Report you can write to:

Anne-Marie Corboy
Chief Executive Officer
HESTA Super Fund
PO Box 615
Carlton South VIC 3053

More information on individual Directors is available on pages 15-17 and at hesta.com.au where you may also obtain copies of HESTA's **Board Charter** and **Code of Conduct**.

HESTA's Board of Directors

Employer representatives

(nominated by their organisations)



Angela Emslie
(Chair)
Victorian Employers' Chamber of Commerce and Industry
Appointed 15 Dec 1994



Glenn Bunney
Aged & Community Services Australia
Appointed 1 Jan 2007



Don Good
Catholic Health Australia
Appointed 16 Nov 1989



Denis Hogg
Australian Private Hospitals' Association
Appointed 20 Dec 2005



Maree O'Halloran
Australian Council of Social Service
Appointed 18 Jan 2010



Prue Power
Australian Healthcare and Hospitals Association
Appointed 1 Jan 2010



Tony Smith
Aged Care Association Australia
Reappointed 19 Apr 2007

Employee representatives

(nominated by their organisations)



Ged Kearney
(Deputy Chair)
Australian Nursing Federation
Appointed 1 Apr 2004



Rob Elliott
Health Services Union
Appointed 21 Nov 1997



Brett Holmes
Australian Nursing Federation
Appointed 28 Sep 2000



Kathy Jackson
Health Services Union
Reappointed 10 Mar 2009



Tim Lyons
Australian Council of Trade Unions
Appointed 8 Feb 2010



Beth Mohle
Australian Nursing Federation
Appointed 28 Jun 2001



Kelly Shay
Liquor, Hospitality and Miscellaneous Union
Appointed 1 Sep 2009

Remuneration of HESTA Directors

The total amount of remuneration paid to the Directors of HESTA for the year 1 January to 31 December 2009 (including superannuation contributions) was \$504,995.

The table below lists the number of Directors of the Trustee Company whose income from the Trustee Company falls within the bands.

Amounts between	No of Directors in 2009	Amounts between	No of Directors in 2009
Less than \$9,999	1	\$30,000 and \$39,999	8
\$10,000 and \$19,999	1	\$40,000 and \$49,999	1
\$20,000 and \$29,999	4	\$50,000 and \$59,999	1

The Board committees at 30 June 2010

Specialised responsibilities are delegated to Board-appointed committees consisting of Directors who report to the full Board meeting.

Audit Committee

The Audit Committee is responsible for ensuring the Fund observes high standards of business behaviour and ethics, complies with all legal and regulatory requirements, manages risk effectively and provides assurance regarding the quality and reliability of financial information.

Chair: Don Good

Members: Rob Elliott, Denis Hogg, Ged Kearney, Tim Lyons, Tony Smith

Board Development Committee

The Board Development Committee is responsible for ensuring the Board maintains the appropriate balance of skills and expertise to perform the functions required. The committee also reviews and makes recommendations on the level of training and education required, Directors' remuneration and Board performance and processes.

Chair: Angela Emslie

Members: Glenn Bunney, Brett Holmes, Ged Kearney, Beth Mohle, Maree O'Halloran

Marketing Committee

The Marketing Committee is involved in HESTA's marketing function at a strategic level. This ad-hoc committee participates in the development and monitoring of the marketing strategy and the Fund's product portfolio.

Chair: Brett Holmes

Members: Glenn Bunney, Denis Hogg, Beth Mohle, Prue Power, Kelly Shay

HESTA Directors attendance at meetings held

Directors During the period 1 July 2009 to 30 June 2010	Board meetings attended	Audit Committee meetings attended	Board Development Committee meetings attended	Marketing Committee meetings attended
Glenn Bunney	9/10	-	3/4	3/3
Lindsay Doherty Term of office expired 31/12/09	5/5	-	-	2/2
Rob Elliott	9/10	2/3	-	-
Angela Emslie (Chair)	10/10	-	4/4	3/3
Janine Freeman Resigned 31/8/09	2/2	1/1	0/1	-
Don Good	7/10	3/3	-	-
Denis Hogg	10/10	1/1	3/3	-
Brett Holmes	7/10	-	2/2	3/3
Kathy Jackson	7/10	-	-	-
Ged Kearney (Deputy Chair)	6/10	0/1	1/2	2/3
Tim Lyons Appointed 8/2/10	1/4	0/1	-	-
Valerie Lyons Term of office expired 31/12/09	4/5	1/2	1/1	2/2
Beth Mohle	10/10	1/1	4/4	0/1
Maree O'Halloran Appointed 18/1/10	5/5	-	1/2	-
Prue Power Appointed 1/1/10	4/5	-	-	0/1
Kelly Shay Appointed 1/9/09	7/8	-	-	0/1
Tony Smith	10/10	3/3	1/1	-
David Whiteley Resigned 5/2/10	6/6	2/2	2/3	-

Key advisers and service providers

HESTA uses a number of external service providers to help us administer your account and invest your money.

Frontier Investment Consulting Pty Ltd provides the Board with advice on investing members' money and is paid a fee for this service. HESTA is a shareholder of Frontier.

Superpartners provides administrative services for HESTA, including operating the Fund's service centre, insurance administration, contribution and benefit processing and other general Fund administration. HESTA is a shareholder of Superpartners.

Other key advisers and providers as at 30 June 2010 include: JP Morgan – Fund custodian, ING Life Limited – Member insurance benefits, Peter Carroll Pty Ltd – actuary, Dwyer & Co – solicitor, Ernst & Young – auditor, PricewaterhouseCoopers – tax accountants and advisers.

HESTA's investment managers : HESTA uses a range of professional fund managers to invest members' money according to specific objectives and strategies (including offering strategies to guard against excessive risk) set out by the HESTA Trustee Board with advice from our investment consultant, Frontier Investment Consulting. By using investment managers, HESTA can make use of their expertise in the investment of your retirement savings, while at the same time using our size to achieve economies of scale that keep costs low.

HESTA's investment managers at 30 June 2010

Asset class	Investment manager	
Cash	Industry Funds Management Pty Ltd	Perpetual Investment Management Limited
	JP Morgan Chase Bank, N.A.	ME Bank
	National Australia Bank Limited	State Street Global Advisors, Australia, Limited
Fixed Interest	BlackRock Asset Management (Australia) Limited	ME Portfolio Management Limited
	Industry Funds Management Pty Ltd	Pacific Investment Management Company
Property	AEW Value Investors, L.P.	Fortius Funds Management Pty Limited
	Ashington Capital Limited	Franklin Templeton Investments Australia Limited
	BT Funds Management No 2 Limited	Industry Superannuation Property Trust Pty Ltd
	Charter Hall Limited	IGIPT Pty Ltd
	Diversified Management Ltd	Morgan Stanley & Co
	EG Funds Management	Queensland Investment Corporation
	Eureka Funds Management Limited	Valad Funds Management Limited
Absolute Return Strategies	Aurora Investment Management, LLC	Bridgewater Associates, Inc
	BlackRock Alternative Advisors	GMO Australia Limited
Infrastructure	Hastings Funds Management Limited	Stafford Timberland Limited
	Industry Funds Management Pty Ltd	
International Shares	AXA Rosenberg Investment Management Asia Pacific Ltd	Lazard Asset Management Pacific Co
	Altrinsic Global Advisors, LLC	Marathon Asset Management (Australia) Limited
	Baillie Gifford Overseas Limited	Mondrian Investment Partners Limited
	BlackRock Investment Management (Australia) Limited	Orbis Investment Management Limited
	First State Investments (Hong Kong) Limited	Taube Hodson Stonex Partners, LLP
	Generation Investment Management, LLP	Turner Investment Partners Pty Ltd
	Hexavest Inc	Walter Scott & Partners Limited
Australian Shares	Aviva Investors Australia Limited	Maple-Brown Abbott Limited
	BlackRock Asset Management (Australia) Limited	Northcape Capital Pty Ltd
	BT Investment Management No 2 Limited	Orbis Investment Management (Australia) Limited
	Citigroup Global Markets Australia Pty Limited	Paradise Investment Management Pty Ltd
	Cooper Investors Pty Ltd	Perpetual Investment Management Limited
	Eley Griffiths Group Pty Ltd	PM Capital Limited
	Ellerston Capital Limited	Renaissance Smaller Companies Pty Ltd
	Greencape Capital Pty Ltd	Solaris Investment Management Limited
	Industry Funds Management Pty Ltd	
Currency Management	FX Concepts, LLC	ME Portfolio Management Limited
	Lee Overlay Partners Limited	Pareto Partners
Private Equity	Adveq Management AG	Newbury Partners, LLC
	Coller International Partners V-A, L.P.	Oaktree Capital Management, L.P.
	Generation Investment Management, LLP	Performance Equity Management, LLC
	Industry Funds Management Pty Ltd	Quay Partners Pty Ltd
	Industry Super Holdings Pty Ltd	Siguler Guff & Company, LLC
	Lexington Capital Partners VI-B, L.P.	Vencap Limited
HESTA Super Income Stream	Industry Funds Management Pty Ltd	

How do you make a complaint?

At HESTA we take complaints seriously.

If you're not satisfied with our products or services, we have a complaint resolution process to address your concerns fairly and efficiently. This process is free of charge.

Internal dispute resolution process

Step 1: Free call 1800 813 327 to discuss your concerns.

Step 2: If your concerns cannot be resolved immediately, you can provide further details to the

Complaints Officer by:

Mail: Complaints Officer
HESTA Super Fund
PO Box 600
Carlton South Vic 3053

Fax: 1300 368 636

Email: hesta@hesta.com.au

We'll investigate your complaint and make every effort to respond within 10 business days. If we can't respond in that time, we'll keep you informed about the progress of your complaint. Our response will detail the outcome of the investigation and the reason for our decision.

External dispute resolution process

If you are not satisfied with the outcome of the Internal dispute resolution process, you may access an External dispute resolution scheme,* These are independent bodies established to help resolve disputes between consumers and financial services providers. These External dispute resolution schemes are free of charge.

Superannuation complaints	Non-superannuation complaints (eg advice about banking or managed investment products)
Superannuation Complaints Tribunal (SCT) Locked Mail Bag 3060 Melbourne VIC 3001 1300 884 114 sct.gov.au	Financial Ombudsman Service (FOS) GPO Box 3 Melbourne VIC 3001 1300 780 808 fos.org.au
*You can also access the SCT if your complaint has not been resolved by the Internal dispute resolution process within 90 days.	*You can also access FOS if your non-superannuation complaint has not been resolved by the Internal dispute resolution process within 45 days.

What happens to your super if HESTA loses contact with you?

If HESTA has been unsuccessful in delivering two pieces of mail to your address, or your account balance is less than \$800 and no contributions have been made for more than one year, or it is less than \$1,000 and no contributions have been made for more than two years, we may transfer your account to Australia's Unclaimed Super Fund (AUSfund), an eligible rollover fund.

Your account may also be transferred to AUSfund if a small credit is to be applied to your account after it has been closed. When your money is transferred to AUSfund ABN 85 945 681 973, APF0100AU, any insurance cover you have with HESTA will cease and your HESTA account will be closed. You will become a member of AUSfund and subject to its governing rules. If HESTA can provide your current contact details, AUSfund will send you a copy of its Product Disclosure Statement.

AUSfund accounts of \$50 or more attract an administration levy of \$10 a year. Lower balances are not subject to the levy and do not earn interest. However all accounts are protected from erosion by the levy so that the levy cannot exceed the interest credited to each account. AUSfund may have a different investment strategy than HESTA and does not offer death or disability insurance. If your account is transferred to AUSfund, HESTA will disclose your personal information to allow AUSfund to administer your account.

Contact AUSfund: AUSfund Administration PO Box 2468 Kent Town SA 5071.

Phone: 1300 361 798 Fax: 1300 366 233 Email: admin@ausfund.net.au Web: unclaimedsuper.com.au



*More people in health & community services
choose HESTA than any other fund*

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