

2010-11 Super Income Stream
Annual Report

September 2011



The improved Work
Bonus — good news
for part-time workers

2010-11
investment performance

Want to review your
investment strategy?

Turn to page 8 to find out how

Round-the-clock
access to your
account

See page 5

CEO and Chair report

The end of the 2010-11 financial year brought with it a sense of déjà vu as issues prevalent this time last year remain unresolved and at the forefront of investors' minds.

In Australia, the broader S&P/ASX 300 Accumulation Index gained 11.9% during the year — led once again by the resource sector that continues to benefit from commodity prices at or near historical records. Non-mining companies with significant overseas earnings and companies focusing on Australian consumers did not perform as well.

Globally, fluctuating views regarding the health of the US economy, ongoing sovereign debt issues in Europe, and the prospects for the Chinese economy, saw investor sentiment alternate between optimism and pessimism throughout the year. Against this backdrop however, equity markets delivered positive returns. Companies also benefited from a rebound in earnings growth from historic low levels. The MSCI World Index gained 3.0% in Australian dollar terms. This was despite the Australian dollar gain of 27% against the US dollar and gains against most other currencies, which reduced returns earned by Australian investors.

Listed property underperformed the broader equity market over the year with the index returning 5.9%. The Intech Australian Unlisted Property Index returned 8.2%.

In Australian fixed interest, the UBS Composite Bond index returned 5.6% for the year. The international fixed interest benchmark — the Barclays Global Aggregate — returned 6.9% in Australian dollar terms. Sovereign debt issues in peripheral Europe have continued to weigh on the markets throughout the financial year. More recently, the government debt situation in the United States has also come to a head.

All 10 HESTA Super Income Stream investment options generated positive returns for the full financial year — with six of the 10 outperforming their benchmarks.

The Balanced Option — where over 60% of members have an investment — returned a healthy 7.50% for the year. This option underperformed its benchmark (which returned 8.57%) due to the performance of international shares. Our active manager for international shares underperformed this year, having outperformed during 2008/09 and 2009/10. Another factor was our implementation of a lower level of currency hedging than the benchmark — an approach consistent with our management of currency in the HESTA accumulation fund assets. Details of all returns can be found on page 10.

Looking forward at the time of writing, there are some immediate challenges for the market to resolve, most notably the European sovereign debt issues. As a result, we expect share and bond markets will continue to be quite volatile as investor sentiment swings between concerns over global economic growth and optimism. As always, HESTA will remain vigilant in our efforts to protect and grow your retirement savings.



Anne-Marie Corboy
Chief Executive Officer



Angela Emslie
Board Chair

What's making news?

Reduced minimum drawdown relief for super income stream holders in 2011-12

In June 2011, the government confirmed it will phase out the minimum drawdown relief provided over the last three years.

In 2011-12, the relief is less than in previous years at only 25% (shown below), rather than the 50% reduction which had been in place since February 2009.

Your age	Minimum % for 2011-12 financial year	Standard minimum %
Under 65	3%	4%
65-74	3.75%	5%
75-79	4.5%	6%
80-84	5.25%	7%
85-89	6.75%	9%
90-94	8.25%	11%
95 or over	10.5%	14%

"The minimum payment amounts will revert to their normal levels from 2012-13," the Assistant Treasurer, Bill Shorten said.

If you wish to change your payment amount you need to advise us in writing. Visit hesta.com.au/sispayments or call us on **1300 734 479** for a copy of the *Change of income payment amount and frequency* form.

Lump-sum super benefit tax threshold indexed

The amount of the taxable component of a super lump-sum benefit an individual can receive between their preservation age and age 60, at nil rate of tax, has increased from \$160,000 to \$165,000 for 2011-12.

Benefits received after age 60 are tax free.

Lower fees for HESTA Super Income Stream members

As advised in your March 2011 *Quarterly performance summary*, we're pleased to have recently reduced the management fees and transaction costs for most investment options.

HESTA CEO Anne-Marie Corboy said these reductions, effective from 1 July 2011, were possible due to strong membership growth over the past year.

"This enabled us to bring management of the product in-house and to review the pricing structure," Ms Corboy explained.



"We are committed to making things simpler and more cost effective for Super Income Stream members," she added.

For more information on Super Income Stream fees and costs visit hesta.com.au/sispds

HESTA CEO named in *True Leaders of 2011* list

Anne-Marie Corboy was recently named in the Australian Financial Review BOSS publication's *True Leaders of 2011* list. Each year BOSS selects outstanding leaders based on successful financial performance, sustainability of profits and share price, relations within the organisation and in the broader community, vision, strategy and ethics.

Ms Corboy joins a distinguished group of leaders including Governor-General Quentin Bryce and Mission Australia CEO Toby Hall.



A WIN for part-time workers receiving the Age Pension

Recent changes to the government's Work Bonus program mean people eligible for the Age Pension can now keep more of the money they earn from part-time or seasonal work.

The Work Bonus program was introduced as an incentive for older Australians to continue contributing to the workforce. It works by reducing the amount of income assessed under Centrelink's income test.

Until 1 July 2011, this reduction was half of the first \$500 earned per fortnight. The maximum amount that could be offset was \$250. But, if you earned less than \$500 in a given fortnight, you wouldn't get that maximum benefit.

What's changed?

Since July this year, if you're eligible for the Age Pension, the first \$250 you earn per fortnight is not assessed under the income test — regardless of the amount you earn.

For example, an Age Pensioner earning \$400 per fortnight will only have \$150 (\$400 minus \$250) included in their income test, as opposed to \$200 before 1 July 2011.

Even better, any unused amount of the fortnightly \$250 Work Bonus will accumulate in an employment 'income bank', up to a maximum of \$6,500.

Credit in the 'income bank' can also be carried forward to future years. This credit can then be used to offset employment income that would otherwise be assessable under the pension income test.

Visit centrelink.gov.au to read more about these changes and the Work Bonus scheme. Or, if you'd like to talk to someone about how your income may be affected, call the Centrelink Seniors line on **13 2300**.

Keep track of your account with Super Income Stream Online

If you haven't already registered for round-the-clock access to your Super Income Stream (SIS) account, do it now!

You can use SIS Online to:

- update your member details, including your contact address and phone numbers
- change or update your beneficiaries
- review your investment allocations
- change your payment arrangements
- check your balance
- access investment returns
- make a partial withdrawal.

Best of all, you can do all of this at a time that suits you.

How to get started

Call our Member Service Centre on **1300 734 479** between 8.30am and 5.30pm AEST. Just have your member number at hand — you'll find it on the member statement you received with this annual report. We'll give you a temporary password over the phone.



Then visit hesta.com.au/sisonline whenever you need to — any time, any day.

Available
24 hours,
7 days a
week!





Ready to take the leap into full retirement?

Many of you may have taken advantage of the government's transition to retirement (TTR) rules, opening your income stream account to either:

- save tax and boost your super while continuing full-time work, or
- supplement your income while working reduced hours.

But if you're now ready to bow out of the paid workforce, and have accumulated other savings — outside your Super Income Stream (SIS) account — you may be wondering what to do with the extra money.

"I've built up more super with HESTA — what can I do with it?"

"I've downsized my house — can I put a lump sum into my income stream?"

"Can I transfer the super I have in another fund into my HESTA income stream?"

HESTA Superannuation Adviser, Megan Cottrell, says this has become a common question for SIS members. "The issue of what to do with extra savings is one that keeps coming up at our information seminars. Members don't know what their options are," Megan says.

While you can't add extra money into your current SIS account (due to government restrictions), here are some options to consider.

Option 1: Start a second income stream account

If you have \$10,000 or more to invest, you can set up a second SIS account.

While the two accounts would be treated as separate accounts, the only time you could incur additional fees using this option is if the combined balance of both accounts equals \$250,000 or more.

That's because:

1. the fees you pay are calculated as a percentage of your balance, and
2. members with a total account balance of over \$250,000 — in one account — pay reduced management fees.

But having to keep track of two separate accounts could be more demanding — and double your paperwork!

Option 2: Transfer your current income stream account balance, along with your additional money, to a new account

This option would allow you to keep all your money together, in one account.

When you transfer the balance from your existing account, you incur transaction costs. But once set up, you would only pay continuing fees on one account. And, if your combined funds result in a total account balance of \$250,000 or more, your management fees reduce.

Next step — speak to an expert

We recommend you speak to a financial adviser to determine the best option for your personal needs. An adviser will work out the fees and costs involved so you know all the facts before making a decision.

The good news is that, as a SIS member, you have access to expert advice, either through a HESTA Superannuation Adviser or HESTA Financial Planner. Call **1300 734 479** for an initial discussion — at no extra cost — with a Superannuation Advice Officer. They can help you work out the most appropriate avenue of advice for your situation.



HESTA members Malcolm and Dorothy Arnold

Transition to retirement — helping members keep their post-work plans on track

A 41-year career in health and aged care management — coupled with an accounting background — has made Malcolm Arnold, and his wife Dorothy, acutely aware of the need to plan carefully for retirement.

Prompted by a HESTA presentation on transition to retirement (TTR) strategies, the couple made an appointment with their local HESTA Superannuation Adviser (SA) in early 2010. Subsequent research and discussions with their SA, led both Dorothy and Malcolm to choose the HESTA Super Income Stream for their TTR strategy.

They haven't looked back since. "The TTR strategy will really help boost our super in the run up to our impending retirement. Our only regret is that we didn't take the time to set it up earlier," Dorothy says.

Fortunately, having this strategy has allowed the Arnolds to stick to their plan to 'down tools' in around a year's time.

So, what next?

After 15 years of living on-site at the retirement villages they've managed, Dorothy has a clear picture of her retirement with Malcolm. The couple plan to move into their home on the Sunshine Coast and spend more time with loved ones.

"We're looking forward to being able to open up our house to family, particularly our 10 grandchildren," Dorothy says. The dream is to be able to explore Australia in a motor home and spend more time visiting family around the country.

"You never know what's around the corner so you might as well dream big," Dorothy adds, with a smile.

Are your retirement savings invested in the right options?

Most of us don't claim to be finance gurus. Yet many of us make significant financial decisions without really knowing whether we're doing the right thing.

Often this is because we don't know what advice services are available to us or even how to go about finding out.



Regularly reviewing your investment strategy with an expert is one of the most significant steps you can take to protect your savings. It can mean the difference between making the most of your savings and your money running out sooner than you expect.

Why is an investment strategy important?

The last thing any of us want to do is to unwittingly make our money run out faster than it needs to. But if, for example, you're drawing your income payments from a high-risk investment option, you may be doing just that.

Say you're drawing your income payments from a high-risk option like shares. If the price of shares drops, you have to sell more shares to get the same income payment. This can result in a double hit to your funds when markets go down, and your investment could run out more quickly.

Take advantage of our investment strategy review service

HESTA's Executive Manager-Member Advice, Debby Blakey, suggests Super Income Stream members should consider reviewing their investment strategy at least every three years.

"As the HESTA Super Income Stream has been up and running for over three years now, many members may be due for a review of how their funds are invested," Debby explains.

“HESTA Super Income Stream members can set up an investment strategy review with an expert financial planner.”

Debby Blakey,
HESTA Executive Manager-Member Advice

How the review service works

This service is offered to HESTA members, in conjunction with Industry Fund Financial Planning (IFFP).

By discussing your personal situation, an expert financial planner will help you work out the most appropriate investment strategy for your needs.

Once the initial investment structure is in place, it's important to review your strategy regularly.

"The idea is to set up a review at least every three years. This allows you to rebalance your investment portfolio so that, over time, you don't become over-exposed to higher-risk assets. It also ensures you have enough in defensive assets to meet your income requirements in underperforming years," Debby explains.

For a low fixed fee of \$275, your HESTA financial planner will:

- ✓ discuss your annual income requirements
- ✓ review what investment options you're invested in
- ✓ review the option(s) you're drawing your income payments from
- ✓ outline the most appropriate investment strategy for your personal needs
- ✓ suggest a timeframe for your next review.

If, after your review, you decide you need more detailed advice, you can ask your planner for a fixed-price quote upfront. You can then choose whether or not you'd like to continue.



Want to make an appointment?

Call us on **1300 138 848** to set up your investment strategy review with an expert HESTA financial planner.

Investment performance

12-month performance* from 1 July 2010 to 30 June 2011			
Investment option	HESTA performance (%)	Benchmark performance (adjusted for fees) (%)	Name of benchmark
Defensive	5.34	5.05	60% Intech Conservative Gross Investor Index, 40% UBS Australian Bank Bill Index
Conservative	6.09	5.65	Intech Conservative Gross Investor Index
Balanced	7.50	8.57	Intech Growth Gross Investor Index
Active	8.22	7.97	Intech High Growth Gross Investor Index
Fixed Interest	5.28	5.11	75% UBS Australian Composite Bond Index All Maturities, 25% Barclays Global Aggregate Index (Hedged AUD)
Cash	5.06	4.90	UBS Australian Bank Bill Index
Property	5.78	7.06	50% S&P/ASX 300 Australian Listed Property Accumulation Index, 50% Intech Australian Unlisted Property Investor Index
Australian Shares	10.80	10.79	S&P/ASX 300 Accumulation Index
International Shares	6.44	8.65	67% MSCI World Ex-Australia Index (unhedged), 33% MSCI World Ex-Australia Index (hedged)
Sustainable Australian Shares	10.39	10.63	S&P/ASX 300 Accumulation Index

*The 12-month performance figures displayed include figures for the Super Members Pooled Super Trust (SMPST) through which the HESTA Super Income Stream invested until 30 November 2010. The returns quoted are not a reflection of the actual return on your account. Your actual return will depend on when you commenced investing in the income stream. This is the performance applicable to members who were members at the beginning and the end of the period and who did not have any transactions during the period.

Note: Past performance is not a reliable indicator of future performance and the value of investments can rise or fall. Returns are quoted after fees for the period 1 July 2010 to 30 June 2011.

How investment returns are applied to your account

Investment returns (which may be positive or negative) are allocated to your account by working out the value of your chosen option(s) each week. The upward or downward movement in the value is applied to your account through earning rates.

The movement in value of an option is dependent on the underlying assets, liabilities, income (after imputation credits and other tax credits), any taxes and other expenses. These underlying assets are influenced by movements in markets such as shares, bonds and property.

The investment objective for each option is not a guarantee of future performance.

For updated performance information, please visit our website at hesta.com.au/superincomestream or contact our Member Service Centre on 1300 734 479.

Investment managers

At 30 June 2011, the following investment managers were used:

Asset class	Investment manager
Cash	<ul style="list-style-type: none"> Industry Funds Management Pty Ltd JP Morgan Chase Bank, N.A.
Australian Fixed Interest	<ul style="list-style-type: none"> AMP Bank BlackRock Asset Management Australia Ltd* ME Bank
International Fixed Interest	<ul style="list-style-type: none"> BlackRock Asset Management Australia Ltd*
Property	<ul style="list-style-type: none"> ISPT Pty Ltd BlackRock Asset Management Australia Ltd*
Australian Shares	<ul style="list-style-type: none"> Perpetual Investment Management Ltd Perennial Investment Partners Ltd Industry Funds Management Pty Ltd Acadian Asset Management (Australia) Ltd
International Shares	<ul style="list-style-type: none"> Capital International, Inc. BlackRock Asset Management Australia Ltd*
Sustainable Australian Shares	<ul style="list-style-type: none"> Perpetual Investment Management Ltd

The Trustee has a discretion to change investment options, the asset allocation within each option and the investment managers used.

* Formerly known as Barclays Global Investors

Investment options – a snapshot

	Defensive	Conservative
Investment objective & strategy	To achieve returns that exceed the inflation rate (change in the CPI*) by 2% per annum on a rolling five year basis. This is expected to be achieved approximately 7 years out of every 10. To achieve this, the Option aims to provide security (but not a guarantee) of capital invested and to limit the likelihood of applying negative annual returns to a negligible level.	To achieve returns that exceed the inflation rate (change in the CPI*) by 2.5% per annum on a rolling five year basis. This is expected to be achieved approximately 7 years out of every 10. To achieve this, the Option aims to provide security (but not a guarantee) of capital invested and to limit the likelihood of applying negative annual returns to one in every 16 years.
Expected risk/return profile	Low	Moderate
Asset allocation at 30 June 2011	<ul style="list-style-type: none"> Australian Shares 6.74% International Shares 2.87% Australian Fixed Interest 27.45% International Fixed Interest 9.25% Cash 46.38% Property 7.31% 	<ul style="list-style-type: none"> Australian Shares 14.47% International Shares 11.98% Australian Fixed Interest 33.41% International Fixed Interest 10.74% Cash 19.64% Property 9.76%
Allocation ranges	<ul style="list-style-type: none"> Australian Shares 2-12% International Shares 0-8% Australian Fixed Interest 23-33% International Fixed Interest 4.5-14.5% Cash 40-50% Property 5-10% 	<ul style="list-style-type: none"> Australian Shares 10-20% International Shares 7.5-17.5% Australian Fixed Interest 29-39% International Fixed Interest 6-16% Cash 12.5-22.5% Property 5-15%
Benchmark index	60% Intech Conservative Gross Investor Index and 40% UBS Australian Bank Bill Index	Intech Conservative Gross Investor Index
12-month performance**	5.34%	6.09%

* CPI = Consumer Price Index

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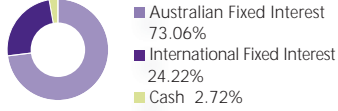

	Balanced	Active
Investment objective & strategy	To achieve returns that exceed the inflation rate (change in the CPI*) by 3% per annum on a rolling five year basis. This is expected to be achieved approximately 7 years out of every 10. To achieve this, the Option will invest a significant portion in growth assets, such as shares and property, and aims to limit the likelihood of applying negative annual returns to one in every 7 years.	To achieve returns that exceed the inflation rate (change in the CPI*) by 3.5% per annum on a rolling five year basis. This is expected to be achieved approximately 7 years out of every 10. To achieve this, the Option will predominantly invest in Australian and international shares and aims to limit the likelihood of applying negative annual returns to one in every 4 years.
Expected risk/return profile	Moderate to High	High
Asset allocation at 30 June 2011	<ul style="list-style-type: none"> Australian Shares 36.42% International Shares 21.72% Australian Fixed Interest 12.88% International Fixed Interest 4.43% Cash 9.79% Property 14.76% 	<ul style="list-style-type: none"> Australian Shares 46.64% International Shares 46.34% Cash 7.02%
Allocation ranges	<ul style="list-style-type: none"> Australian Shares 32.5-47.5% International Shares 17.5-27.5% Australian Fixed Interest 8-18% International Fixed Interest 0-9.5% Cash 2.5-12.5% Property 10-20% 	<ul style="list-style-type: none"> Australian Shares 32.5-62.5% International Shares 32.5-62.5% Cash 0-10%
Benchmark index	Intech Growth Gross Investor Index	Intech High Growth Gross Investor Index
12-month performance**	7.50%	8.22%

* CPI = Consumer Price Index

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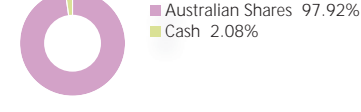
Investment options – a snapshot (cont.)

	Fixed Interest	Cash
Investment objective & strategy	To achieve returns that exceed the inflation rate (change in the CPI*) by 2% per annum on a rolling five year basis. This is expected to be achieved approximately 7 years out of every 10. To achieve this, the Option will predominantly invest in a diverse range of government and corporate bonds and alternative debt and aims to limit the likelihood of applying negative annual returns to one in every 15 years.	To achieve returns that exceed the inflation rate (change in the CPI*) by 1% per annum on a rolling five year basis. This is expected to be achieved approximately 7 years out of every 10. To achieve this, the Option will invest in short term cash investments with minimal risk of capital loss and aims to limit the likelihood of applying negative annual returns to a negligible level.
Expected risk/return profile	Low	Low
Asset allocation at 30 June 2011	 <ul style="list-style-type: none"> Australian Fixed Interest 73.06% International Fixed Interest 24.22% Cash 2.72% 	 <ul style="list-style-type: none"> Cash 100%
Allocation ranges	<ul style="list-style-type: none"> Australian Fixed Interest 70-80% International Fixed Interest 20-30% Cash 0-10% 	<ul style="list-style-type: none"> Cash 100%
Benchmark index	75% UBS Australian Composite Bond Index All Maturities and 25% Barclays Global Aggregate Index (Hedged AUD)	UBS Australian Bank Bill Index
12-month performance**	5.28%	5.06%

* CPI = Consumer Price Index

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Note: Past performance is not a reliable indicator of future performance and the value of investments can rise or fall. Returns are quoted after fees for the period 1 July 2010 to 30 June 2011.

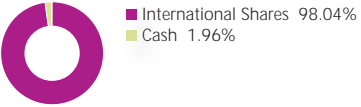
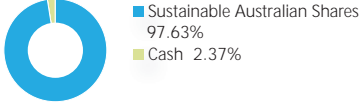
	Property	Australian Shares
Investment objective & strategy	To achieve returns that exceed the inflation rate (change in the CPI*) by 3% per annum on a rolling five year basis. This is expected to be achieved approximately 7 years out of every 10. To achieve this, the Option will predominantly invest in both direct and indirect Australasian property trusts and aims to limit the likelihood of applying negative annual returns to one in every 7 years.	To achieve returns that exceed the inflation rate (change in the CPI*) by 3.5% per annum on a rolling five year basis. This is expected to be achieved approximately 7 years out of every 10. To achieve this, the Option will predominantly invest in Australian shares and aims to limit the likelihood of applying negative annual returns to one in every 4 years.
Expected risk/return profile	Moderate to High	High
Asset allocation at 30 June 2011	 <ul style="list-style-type: none"> Property 96.46% Cash 3.54% 	 <ul style="list-style-type: none"> Australian Shares 97.92% Cash 2.08%
Allocation ranges	<ul style="list-style-type: none"> Property 90-100% Cash 0-10% 	<ul style="list-style-type: none"> Australian Shares 90-100% Cash 0-10%
Benchmark index	50% S&P/ASX 300 Australian Listed Property Accumulation Index and 50% Intech Australian Unlisted Property Investor Index	S&P/ASX 300 Accumulation Index
12-month performance**	5.78%	10.80%

* CPI = Consumer Price Index

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Note: Past performance is not a reliable indicator of future performance and the value of investments can rise or fall. Returns are quoted after fees for the period 1 July 2010 to 30 June 2011.

Investment options – a snapshot (cont.)

	International Shares	Sustainable Australian Shares
Investment objective & strategy	To achieve returns that exceed the inflation rate (change in the CPI*) by 3.5% per annum on a rolling five year basis. This is expected to be achieved approximately 7 years out of every 10. To achieve this, the Option will predominantly invest in international shares and aims to limit the likelihood of applying negative annual returns to one in every 3 years.	To achieve returns that exceed the inflation rate (change in the CPI*) by 3.5% per annum on a rolling five year basis. This is expected to be achieved approximately 7 years out of every 10. To achieve this, the Option will predominantly invest in Australian shares of companies that display positive environmental, sustainable and socially responsible features and aims to limit the likelihood of applying negative returns to one in every 4 years.
Expected risk/return profile	High	High
Asset allocation at 30 June 2011	 <ul style="list-style-type: none"> International Shares 98.04% Cash 1.96% 	 <ul style="list-style-type: none"> Sustainable Australian Shares 97.63% Cash 2.37%
Allocation ranges	<ul style="list-style-type: none"> International Shares 90-100% Cash 0-10% 	<ul style="list-style-type: none"> Sustainable Australian Shares 90-100% Cash 0-10%
Benchmark index	67% MSCI World ex-Australia Index (unhedged), 33% MSCI World ex-Australia Index (hedged)	S&P/ASX 300 Accumulation Index
12-month performance**	6.44%	10.39%

*CPI = Consumer Price Index

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HESTA's financial statements

Following are HESTA's unaudited accounts for 2010/11. Audited accounts and the auditor's report will be available from November 2011. Free call 1800 813 327 to request a copy.

Draft operating statement

	2011 (\$)	2010 (\$)
Investment revenue		
Dividends	383,135,160	191,083,827
Trust distribution income	294,141,600	283,912,286
Interest	77,586,813	69,602,814
Other investment income	(1,219,490)	3,447,523
Change in net market value of investments	906,351,920	913,827,128
Direct investment expenses	(57,380,599)	(49,728,090)
	1,602,615,405	1,412,145,488
Contribution revenue		
Employer contributions	1,919,695,048	1,755,971,816
Members' contributions	247,668,528	245,543,458
Transfers from other superannuation funds	387,777,333	354,329,176
Transfers from other superannuation funds - income stream	201,162,994	103,715,267
	2,756,303,903	2,459,559,717
Other revenue		
Group life insurance proceeds	38,997,757	40,499,553
Other income	2,966,628	104,032
	41,964,386	40,603,585
Total revenue from ordinary activities	4,400,883,694	3,912,308,790
Expenses from ordinary activities		
Group life insurance expenses	95,953,449	90,976,310
Administration expenses	31,079,622	28,949,682
Operating expenses	27,639,668	25,636,017
Superannuation contributions surcharge	17,385	868
	154,690,124	145,562,876
Benefit accrued as a result of operations before income tax	4,246,193,569	3,766,745,913
Income tax expense	355,634,893	324,759,759
Benefit accrued as a result of operations after income tax	3,890,558,676	3,441,986,154

Draft statement of financial position

	30 June 2011 (\$)	30 June 2010 (\$)
Asset/Investments		
Absolute Return Funds	172,730,034	259,818,280
Absolute Return Strategies Growth	360,791,192	186,106,087
Cash & short term deposits	2,453,701,866	1,495,982,350
Currency hedging	3,821,648	(64,144,929)
Other interest bearing securities	1,832,094,363	1,435,169,163
Listed Australian Equities	5,096,501,219	4,485,938,067
Listed Foreign Equities	3,486,245,006	3,257,114,834
Property	1,590,191,094	1,451,841,757
Infrastructure & Private Equity	2,897,353,404	2,681,513,650
	17,893,429,826	15,189,339,259
Super Income Stream		
Fixed Interest Fund	31,631,221	15,470,107
Balanced Fund	177,470,716	114,409,677
Active Fund	12,620,775	7,392,516
Property Fund	3,793,841	2,309,929
Conservative Fund	23,710,376	16,987,910
Defensive Fund	68,292,651	37,070,345
Australian Equities	26,937,550	13,336,703
Cash & Liquid Assets	49,688,056	26,675,121
International Equities	3,668,001	2,051,662
Other	8,031,628	4,230,258
	405,844,815	239,934,228
Total investments	18,299,274,641	15,429,273,487

	30 June 2011 (\$)	30 June 2010 (\$)
Other assets		
Cash at bank	47,447,198	111,050,082
Fixed assets	1,278,455	1,469,283
Other assets	1,305,919	165,669
Deferred tax assets	109,779,130	131,714,696
Total other assets	159,810,702	244,399,730
Total assets	18,459,085,343	15,673,673,218

	30 June 2011 (\$)	30 June 2010 (\$)
Liabilities		
Accounts payable	43,424,594	39,702,635
Provision for employee benefits	1,146,586	1,053,775
Income tax payable	157,557,526	134,589,896
Deferred tax liabilities	43,589,395	6,868,331
Total liabilities	245,718,100	182,214,637
Net assets available to pay benefits	18,213,367,243	15,491,458,580

	30 June 2011 (\$)	30 June 2010 (\$)
Represented by:		
Liability for accrued benefits		
Allocated to member accounts	17,786,837,455	15,199,314,468
Allocated to income stream accounts	405,793,940	239,869,155
Not yet allocated to member accounts	5,496,345	6,596,770
Reserves	15,239,503	45,678,187
	18,213,367,243	15,491,458,580

HESTA's Board

The Trustee Directors during the period 1 July 2010 to 30 June 2011

Employer organisation appointed



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



Jay Bonnington
Catholic Health
Australia
Appointed 1 Jan 2011



Glenn Bunney
Aged & Community
Services Australia
Appointed 1 Jan 2007



Don Good
Catholic Health
Australia
Retired 31 Dec 2010



Denis Hogg
Australian Private
Hospitals Association
Term of office expired
31 Dec 2010



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



Prue Power
Australian Healthcare
and Hospitals Association
Appointed 1 Jan 2010



Richard Royle
Australian Private
Hospitals Association
Appointed 1 Jan 2011



Tony Smith
Aged Care
Association Australia
Reappointed 19 Apr 2007

Employee organisation appointed



**Brett Holmes
(Deputy Chair)**
Australian Nursing
Federation
Appointed 28 Sep 2000



Yvonne Chaperon
Australian Nursing
Federation
Appointed 29 Oct 2010



Rob Elliott
Health Services
Union
Appointed 21 Nov 1997



Kathy Jackson
Health Services
Union
Reappointed 10 Mar 2009



Ged Kearney
Australian Nursing
Federation
Resigned 28 Oct 2010



Tim Lyons
Australian Council
of Trade Unions
Appointed 8 Feb 2010



Beth Mohle
Australian Nursing
Federation
Appointed 28 Jun 2001



Kelly Shay
United Voice
(formerly LHMU)
Appointed 1 Sep 2009

The Board Committees

Audit Committee

Chair	Jay Bonnington
Members	Rob Elliott, Brett Holmes, Tim Lyons, Richard Royle, Tony Smith

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.

Board Development Committee

Chair	Angela Emslie
Members	Glenn Bunney, Yvonne Chaperon, Brett Holmes, Beth Mohle, Maree O'Halloran

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, Directors' remuneration and Board performance and processes.

Marketing Committee

Chair	Brett Holmes
Members	Glenn Bunney, Beth Mohle, Prue Power, Kelly Shay, Tony Smith

Involved in the marketing of HESTA at a strategic level. This ad-hoc committee participates in the development and monitoring of the marketing strategy and HESTA's product portfolio.

Attendance at meetings

Directors	Board meetings attended	Audit Committee meetings attended	Board Development Committee meetings attended	Marketing Committee meetings attended
During the period 1 July 2010 to 30 June 2011				
Jay Bonnington Appointed 1/1/11	4/4	1/1	-	-
Glenn Bunney	8/9	-	2/2	1/1
Yvonne Chaperon Appointed 29/10/10	5/5	-	1/1	-
Rob Elliott Leave of absence Feb-Jun 2011	4/9	1/2	-	-
Angela Emslie	8/9	-	2/2	-
Don Good Retired 31/12/10	4/5	2/2	-	-
Denis Hogg Term of office expired 31/12/10	5/5	2/2	-	-
Brett Holmes	9/9	1/1	2/2	1/1
Kathy Jackson	6/9	-	-	-
Ged Kearney Resigned 28/10/10	4/4	1/2	0/1	-
Tim Lyons	9/9	3/3	-	-
Beth Mohle	9/9	-	2/2	1/1
Maree O'Halloran	8/9	-	2/2	-
Prue Power	8/9	-	-	0/1
Richard Royle Appointed 1/1/11	4/4	1/1	-	-
Kelly Shay	7/9	-	-	0/1
Tony Smith	8/9	3/3	-	1/1

Remuneration of HESTA Directors

The total amount of remuneration paid to HESTA Directors for the year 1/1/2010 to 31/12/2010, including super contributions was: \$517,260.

Amounts between	Less than \$9,999	\$10,000 and 19,999	\$20,000 and 29,999	\$30,000 and 39,999	\$40,000 and 49,999	\$50,000 and 59,999	\$60,000 and 69,999
Number of Directors in 2010	1	-	2	10	1	-	1

General information

How do I make a complaint?

Internal dispute resolution process

- 1 Call **1300 734 479** to discuss your concerns.
- 2 If your concerns can't be resolved immediately, you can provide more detailed information about your complaint to our Complaints Officer by:

Mail: Complaints Officer
HESTA Super Fund
Locked Bag 200
Carlton South Vic 3053

Fax: 1300 368 636

Email: hestasis@hesta.com.au

External dispute resolution process

There are independent organisations that help resolve disputes between consumers and financial services providers, which can be accessed free of charge.

If you're not satisfied with the outcome of the internal dispute resolution process, you may take your complaint to one of the external dispute resolution schemes* below.

Superannuation complaints, including income streams

Superannuation Complaints Tribunal (SCT)
Locked Bag 3060
Melbourne VIC 3001
1300 884 114
sct.gov.au

*You can also access the SCT if your complaint has not been resolved by the internal dispute resolution process within 90 days.

Non-superannuation complaints

(e.g. advice provided by HESTA staff about banking or managed investment products)

Financial Ombudsman Service (FOS)
GPO Box 3
Melbourne VIC 3001
1300 780 808
fos.org.au

*You can also access FOS if your non-superannuation complaint has not been resolved by the internal dispute resolution process within 45 days.

For more information about our complaints process visit hesta.com.au/siscomplaints

Who takes care of your fund?

HESTA is run by H.E.S.T. Australia Limited, an APRA and ASIC licensed trustee company. Although the trustee company is required to hold professional indemnity insurance, there has never been a claim under the insurance policy and no penalties have been imposed under the Superannuation Industry (Supervision) Act 1993.

Eligible rollover funds

If you become a lost member, we may transfer your balance to an Eligible Rollover Fund (ERF). We will treat a member as 'lost' if at least two written communications sent by us have been returned unclaimed. The ERF nominated by us for this purpose is AUSfund.

When your money is transferred to AUSfund (ABN 85 945 681 973, SPIN APF0100AU), any insurance cover you have through HESTA will cease and your HESTA account will be closed. You will become a member of AUSfund and be subject to its governing rules. If we can provide your current contact details, AUSfund will send you a copy of its Product Disclosure Statement (PDS).

AUSfund accounts of \$50 or more attract an administration levy of \$14 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. Annual management costs of up to 3% of your balance will apply. AUSfund may have a different investment strategy than HESTA. If your account is transferred to AUSfund, we will disclose your personal information to allow AUSfund to administer your account.

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

Environmental regulation

The operations of HESTA are not subject to any particular or significant environmental regulations under a Commonwealth, state or territory law.

Derivatives

Financial derivatives may be used by appointed external investment managers consistent with their own internal policies. We expect that derivatives will be used to either enhance the returns or control the volatility of a particular investment option.

Reserves

The HESTA Super Income Stream does not hold reserves.

Do you have a story to share?

We are always interested to hear about your personal experiences with HESTA.

If you would like to contribute to the next *Super Income Stream Annual Report*, please contact our Writer and Media Relations Officer on (03) 8660 1600 or email hestasis@hesta.com.au



Email hestasis@hesta.com.au

Mail Locked Bag 200, Carlton South, Vic 3053

Phone 1300 734 479

hesta.com.au



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Unless specifically mentioned, the HESTA *Super Income Stream Annual Report* does not relate to the HESTA Industry and Personal Superannuation Plans. For more information regarding those products, please refer to *Savvy* magazine or download the annual report at hesta.com.au/ar2011

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Industry Fund Financial Planning (IFFP) is a division of Industry Fund Services (IFS) ABN 54 007 016 195 AFSL No. 232514. HESTA has shares in the company that owns IFS, but does not receive any commissions as a result of members using their services.

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