



FIRE AND EMERGENCY SERVICES

SUPERANNUATION FUND

AFS Licence No. 259671

APRA Licence No. L0001700

APRA Registration No. R1055917

06.

REPORT TO MEMBERS

How well did the fund perform?

THE YEAR IN BRIEF

The Board declared an annual crediting rate for 2005/06 of **15.40%**. The crediting rate for allocated pension accounts was **16.50%**.

The Fund returned **15.7%** net of tax and all expenses for the year. For the past ten years to 30 June 2006, your Fund has averaged a 'smoothed' investment return of **9.0%**. However, since the Fund's inception in 1977, the smoothed investment return has averaged **11.0%** pa. The chart to the right shows the returns (what the investments actually earned) and the declared interest rates for each of the past five years.

FUND EARNING RATE V DECLARED INTEREST RATE 'SMOOTHING'

	Fund Earning Rate	Declared Interest Rate*
2002	-4.70%	1.50%
2003	-2.10%	-1.50%
2004	10.80%	8.00%
2005	11.70%	10.00%
2006	15.70%	15.40%
3 Year average (pa)	12.70%	11.10%
5 Year average (pa)	6.30%	6.70%

* After 'smoothing' is applied, see page 3

FUND STATISTICS

MEMBERSHIP	2005/06	2004/05
Current Members	1,126	1,107
Retained Members	217	198
Pensioners	128	104
Spouse Accounts	91	71
Total	1,562	1,480

BENEFITS PAID	2005/06		2004/05	
	No.	\$	No.	\$
Total	71	14,006,318	54	11,253,165

CONTRIBUTIONS	2005/06		2004/05	
	\$		\$	
Member	4,157,708		2,539,372	
Salary Sacrifice	6,488,459		5,848,182	
Employer	7,927,194		7,518,518	
Spouse	2,035,342		1,057,748	
Transfers In	1,872,086		1,771,166	
Total	22,480,789		18,734,986	





THE TRUSTEES

YOUR SUPER FUND IS ADMINISTERED BY A BOARD

The Fund is administered by the Fire and Emergency Services Superannuation Board, established under the Fire and Emergency Services Superannuation Act 1985. The Act sets out the functions, responsibilities and duties of the Board and provides the framework within which it is to operate. The Board also makes sure that the Fund complies with current Government legislation, that benefits are paid correctly and that the Fund's assets are appropriately invested.

The staff of the Superannuation Board carries out the actual 'day to day' running of the Fund. Under the provisions of the Act, a Secretary to the Board is appointed. The Chief Finance Officer and Secretary to the Board is Mr Adrian Rutter.

THE BOARD IS RESPONSIBLE FOR MANAGING THE FUND

The Board is responsible for managing your Fund in line with the Act and the Fire and Emergency Services (Superannuation Fund) Regulations 1986. Government laws mean that the Fund must have an equal number of Board Members appointed by FESA and Board Members elected by the members of the Fund. One of these Board Members is appointed Chairman of the Board.

The current Board Members are:

Employer Appointed

Mr Harry Kuhaupt (Chairman) – Public Accountant
 Mr Dennis Barton – Actuary and Investment Consultant
 Mr Bill Hewitt – Executive Director (Fire Services) of FESA

Member Elected

Mr Gary Clifford – Station Officer
 Mr Max Osborn – Retired District Officer
 Mr Brynn Weir – Station Officer

WHAT DOES A BOARD MEMBER DO?

Board Members are responsible for making sure the super fund is run in line with the rules set out in the Act and Regulations. In practical terms they must by law:

- act in the best interest of all members;
- invest the super funds assets;
- make sure benefits are correctly paid and on time;
- make certain that the Fund has adequate financial backing; and
- exercise care, skill and diligence.

The Fund's investment strategy is to invest predominantly with external fund managers, but with a proportion of the Fund being invested by the Board.

By investing in a range of fund managers, the risk of a poor or negative return is minimised.

▶ CHOOSING AN INVESTMENT STRATEGY

The Fire and Emergency Services Superannuation Fund offers investment choice to all members with an accumulation account. Investment choice allows you to actively participate in the growth of your superannuation account and select investments to suit your personal attitude to investment risks and returns.

If you are close to retiring age, and definitely need your superannuation money as soon as you retire, you might want to choose a low-risk, low-return option. If you have much of your working life ahead of you, or you might retire without cashing in all your superannuation, you may accept a greater risk to increase the chances of growth.

The default choice is the 'smoothed' option, and once a member has switched from the 'smoothed' option, the option to return is not available.

▶ WHAT'S SOCIALLY RESPONSIBLE INVESTING?

Socially responsible investing (SRI) is suited to medium or long-term investors who want an investment approach that considers profit potential and the investment's impact on society and the environment. With our Socially Responsible Investment option, you have the opportunity to invest in companies considered industry leaders when it comes to making a positive contribution with their business practices to the community, the workplace, and the environment. With SRI, there is a focus on sustainable development, so your money is invested in industries of the future, such as renewable energy, mass transport, recycling, and water.

▶ WHAT HAPPENS IF YOU LEAVE BEFORE THE INTEREST RATE IS ANNOUNCED FOR THE YEAR?

In these cases, an interim interest rate is used to calculate benefits. The interim rate is regularly reviewed, taking into account the Fund's investment performance and outlook for investment returns. You'll be advised what this rate is when your benefit is paid.

▶ HOW THE "SMOOTHED" RETURN IS CALCULATED

The interest rate applied to accumulation accounts depends on two things:

1. The actual performance of the Fund's investments;
2. Plus or minus an amount for what's called 'smoothing'.

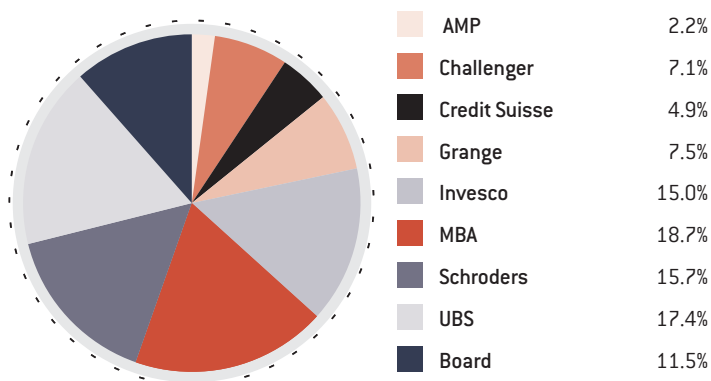
'Smoothing' is setting aside some of the investment returns when performance is good to improve the interest rate in years when investment returns are lower. It 'smooths' out the ups and downs of the investment markets.

INVESTMENTS

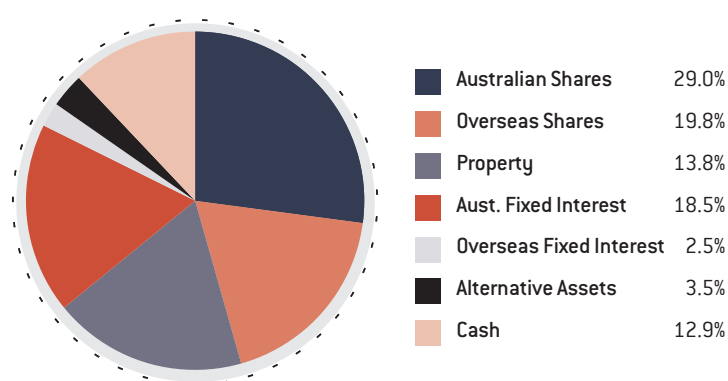
WHERE ARE THE ASSETS INVESTED?

The external fund managers are listed in the Directory at the last page of this report and the distribution of assets with the managers and within each type of investment as at 30 June 2005 are shown in the following charts.

INVESTMENT OF ASSETS AT 30 JUNE 2006



DISTRIBUTION OF ASSETS AT 30 JUNE 2006



RETURNS 2005/06

SMOOTHED OPTION

The smoothed option is a well-diversified portfolio and is structured to provide a high level of returns while limiting return volatility. The smoothing process reduces the likelihood of negative returns being credited.

Asset Classes	Ranges	Allocation as at 30 June 2005	Allocation as at 30 June 2006
Australian Shares	20%-50%	30%	29%
Overseas Shares	5%-35%	18%	20%
Property	5%-25%	14%	14%
Fixed Interest	10%-40%	21%	21%
Alternative Assets	0%-10%	4%	3%
Cash	0%-60%	13%	13%

Crediting Rates	Accumulation Account	Allocated Pension Account
2001/2002	1.5%	2.0%
2002/2003	-1.5%	-1.5%
2003/2004	8.0%	8.5%
2004/2005	10.0%	10.5%
2005/2006	15.4%	16.5%

CASH OPTION

The cash option primarily invests in cash instruments and is expected to provide consistency of returns and safety of capital.

Asset Classes	Ranges	Allocation as at 30 June 2005	Allocation as at 30 June 2006
Australian Shares	0%	0%	0%
Overseas Shares	0%	0%	0%
Property	0%	0%	0%
Fixed Interest	0%	0%	0%
Cash	100%	100%	100%

Crediting Rates	Accumulation Account	Allocated Pension Account
2001/2002	3.7%	4.4%
2002/2003	3.8%	4.5%
2003/2004	4.1%	4.9%
2004/2005	4.4%	5.3%
2005/2006	4.4%	5.3%

CAPITAL STABLE OPTION

The capital stable option primarily invests in defensive style assets. This is expected to provide downside protection in negative markets while offering some exposure to equity markets to boost returns.

Asset Classes	Ranges	Allocation as at 30 June 2005	Allocation as at 30 June 2006
Australian Shares	34%	34%	34%
Overseas Shares	0%	0%	0%
Property	0%	0%	0%
Fixed Interest	33%	33%	33%
Cash	33%	33%	33%

Crediting Rates	Accumulation Account	Allocated Pension Account
2001/2002	0.9%	1.3%
2002/2003	1.6%	2.2%
2003/2004	8.4%	9.3%
2004/2005	11.6%	12.8%
2005/2006	9.8%	10.8%



GROWTH OPTION

The growth option is a well-diversified portfolio and is structured to provide a high level of returns while limiting return volatility.

Asset Classes	Ranges	Allocation as at 30 June 2005	Allocation as at 30 June 2006
Australian Shares	20%-50%	30%	30%
Overseas Shares	5%-35%	20%	20%
Property	5%-25%	15%	15%
Fixed Interest	10%-40%	30%	35%
Cash	0%-60%	5%	0%

Crediting Rates	Accumulation Account	Allocated Pension Account
2001/2002	-4.2%	-4.7%
2002/2003	-2.2%	-2.3%
2003/2004	11.4%	12.8%
2004/2005	11.9%	13.3%
2005/2006	13.1%	14.9%

SHARE OPTION

With 100% invested in shares, the share option has performed extremely well during recent sharemarkets strength, and is expected to outperform other options in the long run. However, given the nature of sharemarkets, the returns for this option are expected to be volatile.

Asset Classes	Ranges	Allocation as at 30 June 2005	Allocation as at 30 June 2006
Australian Shares	50%	50%	50%
Overseas Shares	50%	50%	50%
Property	0%	0%	0%
Fixed Interest	0%	0%	0%
Cash	0%	0%	0%

Crediting Rates	Accumulation Account	Allocated Pension Account
2001/2002	-12.6%	-14.4%
2002/2003	-11.6%	-13.1%
2003/2004	17.3%	19.5%
2004/2005	12.0%	12.8%
2005/2006	19.4%	21.9%

SOCIALLY RESPONSIBLE INVESTMENT (SRI) OPTION

The SRI option provides a diversified investment in Australian shares for members who wish to integrate their social principles and values into their long-term investment objectives. Given the nature of the Australian sharemarket, the returns for this option are expected to be volatile.

Asset Classes	Ranges	Allocation as at 30 June 2005	Allocation as at 30 June 2006
Australian Shares	100%	100%	100%
Overseas Shares	0%	0%	0%
Property	0%	0%	0%
Fixed Interest	0%	0%	0%
Cash	0%	0%	0%

Crediting Rates	Accumulation Account	Allocated Pension Account
2001/2002	N/A	N/A
2002/2003	-0.2% ¹	-0.2% ¹
2003/2004	23.2%	24.8%
2004/2005	24.8%	26.6%
2005/2006	17.9%	19.1%

¹The SRI option commenced in August 2002.

AUSTRALIAN SHARE OPTION

This option was introduced in February 2005, and involves professional fund managers investing in companies listed on the Australian Stock Exchange. Given the nature of the Australian sharemarket, the returns for this option are expected to be volatile.

Asset Classes	Ranges	Allocation as at 30 June 2005	Allocation as at 30 June 2006
Australian Shares	100%	100%	100%
Overseas Shares	0%	0%	0%
Property	0%	0%	0%
Fixed Interest	0%	0%	0%
Cash	0%	0%	0%

Crediting Rates	Accumulation Account	Allocated Pension Account
2001/2002	N/A	N/A
2002/2003	N/A	N/A
2003/2004	N/A	N/A
2004/2005	5.9% ¹	6.3% ¹
2005/2006	21.8%	23.3%

¹The Australian Share option commenced in February 2005.



BUDGET ANNOUNCEMENTS

The proposal to simplify super in the 2006/07 Commonwealth Budget handed down on 9 May 2006, delivered a host of welcome changes which, if implemented, will reduce much of the complexity in the current system from 1 July 2007.

TAXATION OF BENEFITS

The tax which currently applies on benefit payments (both lump sum and pensions) will be abolished, provided the benefit is paid after you turn 60, and it is paid from a 'taxed fund' such as the Fire and Emergency Services Superannuation Fund.

In the short term, anyone with super savings over the \$135,590 tax-free threshold (indexed annually) at retirement could benefit. Because the Fire and Emergency Services Superannuation Fund has higher contribution rates than many funds, many of our members retire with more than \$135,590.

Some of our members have told us that they are delaying retirement because of the Budget. But, with good financial planning advice, there are ways members who retire before age 60 can minimise the tax payable on their benefit.

CONTRIBUTIONS LIMITS

The Commonwealth Government is proposing a limit of \$50,000 each financial year on member and employer contributions where a tax deduction is claimed. Where a member is age 50 or over, a transitional deductible limit of \$100,000 each year will apply until 30 June 2012.

A transitional limit of \$1 million per person has been introduced for undeducted contributions (ie personal contributions you don't claim as a tax deduction) between 10 May 2006 and 30 June 2007.

Generally, a \$150,000 per annum limit will apply for undeducted contributions, however this can be averaged over 3 years (with a maximum one-off contribution of \$450,000).

REASONABLE BENEFIT LIMITS

Reasonable Benefit Limits (RBLs) restrict the amount of concessional taxed super you can receive over your lifetime. It has been proposed RBLs be abolished. Super will be a lot simpler, meaning you can focus on building a super balance that will meet your retirement needs rather than needing to worry about an RBL.

CENTRELINK PENSION ASSETS TEST

Currently, a single homeowner loses \$3 per fortnight in pension entitlements for every \$1,000 they have in assets over \$157,000, and loses all pension entitlements when their assets exceed \$325,000. The proposed changes would halve the rate at which entitlements reduce (so single homeowners would lose \$1.50 per fortnight in pension entitlements for every \$1,000 they have in assets over \$157,000, and lose all pension entitlements when their assets exceed \$494,000). Higher rates would apply for homeowner couples.

50% ASSETS TEST EXEMPTION WILL BE REMOVED

Money invested in 'complying' income streams (such as Term Allocated Pensions) from 20 September 2007 will not be eligible for the 50% Assets Test exemption. 'Complying' income streams purchased prior to this date will retain the relevant Assets Test exemption.

COMPULSORY CASHING OF BENEFITS

Previously you had to meet working conditions to keep your money in a lump sum super account after age 65, but you can now leave your money in a lump sum account indefinitely. This change has already been made. There are tax implications for choosing this option, so you should consider the alternatives before making a decision.

TRANSITION TO RETIREMENT

Under the proposal, a member using an allocated pension in a transition to retirement strategy could withdraw up to 10% of the allocated pension balance each financial year. Currently the maximum limits are the limits that apply to regular allocated pensions (8.7% for a 55 year old).

CONCLUSION

Of course, it's important to remember many of these changes are just proposals at this stage, and it's likely to be the end of the year before we know what the final changes will be.



SUPER ONLINE!

You can now access information on the Fund online anytime you want, at

www.fessuper.com.au

Currently the website provides the following:

- Monthly investment returns for each of the Member Investment Choice options.
- Information on the various Member Investment Choice options.
- Publications, including previous issues of the Report to Members and the JUST Super Newsletters.
- Forms, including Beneficiary Form, Rollover monies into the Fund Form, Member Investment Choice Application Form, Salary Sacrifice Application Form and Spouse Application Form.

Why not have a look today?



FINANCIAL INFORMATION

The charts below show the abridged financial information based on the unaudited Financial Statements of the Fund for the year ended 30 June 2006. The full audited Financial Statements and the Auditor General's opinion will be included in the Annual Report.

NET ASSETS AVAILABLE TO
PAY BENEFITS AS AT 1 JULY 2005 **\$268,994,416**

INFLOW 2005/06

Employer Contributions	14,415,653
Member Contributions	4,157,708
Spouse Contributions	2,035,342
Net Investment Income	46,325,201
Transfers	1,872,086
Other Income	900,297
Total	69,706,287

OUTFLOW 2005/06

Benefits Paid	14,006,318
Group Life Premiums	491,180
Administrative Costs	635,268
Contributions Surcharge	48,358
Taxation	5,088,748
Total	20,269,872

NET ASSETS AVAILABLE TO
PAY BENEFITS AS AT 30 JUNE 2006 **\$318,430,831**

AT 30 JUNE 2006 THE ASSETS OF
THE FUND ARE REPRESENTED BY

ASSETS

Investments	323,066,623
Other Assets	130,251
Total Assets	323,196,874
Liabilities	4,766,043
Net Assets	\$318,430,831

OTHER INFORMATION

COMPLIANCE WITH GOVERNMENT STANDARDS

It is the policy of the Board for the Fund to comply with the Commonwealth Government Superannuation Standards which are the Superannuation Industry Supervision Act and Regulations (SIS) and the Board has made an irrevocable election to be a Regulated Superannuation Fund under the SIS legislation.

ACTUARIAL INVESTIGATION

Each year, an actuarial review of the Fund is carried out to establish the financial position of the Fund and to determine the level of employer contributions required to adequately provide for members' benefits. The Actuary has completed the review of the Fund as at 30 June 2006 and has reported "the Fund's financial position remains sound and the benefits of all members remain covered by the current level of assets".

The Fund's asset backing index as at 30 June 2006 has been reported to be 89.4.

FUND STATISTICS (as at 30 June)

MEMBERSHIP:

	2006	2005	2004
Members at start of period	1,107	1,081	1,041
New members	93	91	96
Exits	74	65	56
Members at end of period	1,126	1,107	1,081

BENEFIT ENTITLEMENTS: (\$,000)

	2006	2005	2004
Death	282	0	0
Retirements	4,312	4,618	4,027
Total Disablement	3,343	1,305	3,519
Partial Disablement	1,258	2,356	1,214
Resignation	2,914	1,368	1,395
TOTAL	(\$,000) 12,109	9,647	10,155

PENSIONERS:

	2006	2005	2004
Number of pensioners	128	104	96
Balance of Accounts	(\$,000) 30,050	22,285	20,084

RETAINED BENEFITS:

	2006	2005	2004
Number of members	217	198	193
Balance of Accounts	(\$,000) 44,508	39,062	34,796

SPOUSE ACCOUNTS:

	2006	2005	2004
Number of members	91	71	55
Balance of Accounts	(\$,000) 6,243	3,989	2,520

OTHER:

	2006	2005	2004
Administration Expenses	(\$,000) 635	718	615
Investment Income	(\$,000) 46,325	30,244	25,241
Net Fund Crediting Rate (Smoothed)	15.40%	10.00%	8.00%

SPECIAL TAX TREATMENT

Super can be a tax effective way to save because it is taxed at a lower rate than many other ways of saving. To get this tax advantage, the Fund must operate according to a strict set of laws.

To show that your Fund has followed these laws, the Board lodges a return each year with the Australian Prudential Regulation Authority (APRA) – a Federal Government body.

The Board is unaware of any event that would cause your Fund to lose this special tax treatment.

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DIRECTORY
FIRE AND EMERGENCY SERVICES
SUPERANNUATION BOARD
242 Rokeby Road
SUBIACO WA 6008

BOARD MEMBERS

Employer Nominated	Member Elected
Harry Kuhaupt (Chairman)	Gary Clifford
Dennis Barton	Max Osborn
Bill Hewitt	Brynn Weir

MINISTER: Minister for Emergency Services – Hon J C Kobelke

SECRETARY: Adrian Rutter

ACTUARY: Catherine Nance – PricewaterhouseCoopers

INSURER: Hannover Life Re of Australasia Ltd

ACCOUNTANT: Sharyn Long Chartered Accountants

BANKER: Commonwealth Bank of Australia

AUDITORS: Auditor General (WA)

INVESTMENT

MANAGERS: **AMP Capital Investors**
50 Bridge Street, SYDNEY NSW 2000

Challenger Financial Services Group
Level 41, Aurora Place
88 Phillip Street, SYDNEY NSW 2000

**Credit Suisse Asset Management
(Australia) Limited**
Level 32, Gateway
1 Macquarie Place, SYDNEY NSW 2000

Grange Securities
Level 17
37 St George's Terrace, PERTH WA 6000

INVESCO Australia Limited
Level 26
333 Collins Street, MELBOURNE VIC 3000

Maple-Brown Abbott Limited
Level 30
20 Bond Street, SYDNEY NSW 2000

Schroders Investment Management Australia Limited
Level 20, Angel Place
123 Pitt Street, SYDNEY NSW 2000

UBS Asset Management (Australia) Limited
Level 45, Governor Phillip Tower
1 Farrer Place, SYDNEY NSW 2000

CORRESPONDENCE:

The Secretary
Fire and Emergency Services Superannuation Board
PO Box 513 SUBIACO WA 6904
Phone: (08) 9382 8444 Fax: (08) 9382 8464
Email: admin@fessuper.com.au

DISCLAIMER: The Trustees of the Fire and Emergency Services Superannuation Fund do not guarantee or represent the information is up to date or complete and disclaim liability for all claims, losses, damages, costs, or expenses of whatever nature, howsoever occurring which arise as a result of reliance upon the information, regardless of the form of action whether in contract, tort (including negligence), breach of statutory duty, or otherwise.

GENERAL ADVICE WARNING: The information contained in this publication is not financial advice and has been prepared for general purposes only. It is not specific to your individual objectives, financial situation, or particular needs. The information may be selective and may therefore not be complete for your needs. Before acting on this information you should seek professional advice.

WHAT TO DO IF YOU HAVE A COMPLAINT?

Should you ever need to dispute a matter in relation to your superannuation please contact the Secretary or one of the Board Members. The Board has procedures in place to deal with any query or complaint within 90 days. A complaint will need to be put in writing to the Secretary.

If you are not satisfied with the handling of your complaint or the Board's decision, you may contact the Superannuation Complaints Tribunal.

The Tribunal is an independent body set up by the Federal Government to assist members or beneficiaries to resolve certain types of complaints with Fund Trustees.

The Tribunal may be able to assist you to resolve your complaint but only if you are not satisfied with the response from the Fire and Emergency Services Superannuation Board. If the Tribunal accepts your complaint, it will attempt to resolve the matter through conciliation, which involves assisting you and the Fire and Emergency Services Superannuation Board to come to a mutual agreement. If conciliation is unsuccessful, the complaint is referred to the Tribunal for a determination that is binding.

If you wish to find out whether the Tribunal can handle your complaint and the type of information you would need to provide, you should contact them, for the cost of a local call anywhere in Australia:

Superannuation Complaints Tribunal – Ph: 1300 780 808

If you require any assistance to make a complaint, please contact the Secretary.

WHEN YOU CEASE EMPLOYMENT

If the Board has received no instructions about how you want your benefit to be paid within 30 days after you cease employment, your account balance will be transferred to an Eligible Rollover Fund (ERF). The ERF will hold your money until you apply to the ERF for your benefit to be paid or rolled over to another superannuation fund. The Board's selected ERF is:

The Australian Eligible Rollover Fund

Locked Bag 5429 PARRAMATTA NSW 2124 Toll Free: 1800 677 424

LIKE TO KNOW MORE?

As a member of the Fund you should have a Product Disclosure Statement (member booklet) containing information about your benefits and rules governing the Fund. You also receive an annual **Member Information Statement** containing important personal information about your benefits in this Fund. Other documents that are available for you to look at are:

- the Act and Regulations;
- the Investment Policy Statement;
- the latest audited accounts and auditor's report;
- the Fund's internal inquiries and complaints procedures; and
- the latest Actuary's report.