

# REPORT TO MEMBERS

## YEAR ENDED 30 JUNE 2010



COAL INDUSTRY SUPERANNUATION FUND

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## FUND FACTS

### MEMBERSHIP

	2009–10	2008–09
Current members	676	709
Retained Members	432	372
Accum. Only members	15	14
Members on Hold	2	2
Account Based Pensioners	10	8
Transition to Retirement Pensions	2	2
<b>Total</b>	<b>1137</b>	<b>1107</b>

### BENEFITS PAID

	2009–10		2008 – 09	
	No.	\$	No.	\$
<b>Total</b>	<b>54</b>	<b>3,378,980</b>	<b>81</b>	<b>6,818,095</b>

### CONTRIBUTIONS

The weekly rate of contributions payable by members and employers was 3% and 8.5% of the Benchmark Amount which was \$51,775 until 30 June 2010 when it was indexed by 5.81% to \$54,783 in line with Average Weekly Ordinary Time Earnings (AWOTE) on advice from the Actuary.

New contributions are \$63.21 p/f member and \$179.10 p/f employer. Contributions for the month of December 2009 for the amount of \$473,323.13 for Griffin Coal Mining Company have not been received due to the company being placed into the hands of Administrator Korda Mentha. The CISF is a creditor and is awaiting information as to whether all or some of the contributions will be received. APRA has been informed of the situation.

Contributions paid into the Fund during the year were:

	2009–10 \$	2008–09 \$
Member	1,127,235	1,170,464
Salary Sacrifice	2,861,679	3,226,185
Employer / Award	5,071,997	4,960,731
Transfers In	581,514	668,660
<b>Total Contributions</b>	<b>9,642,425</b>	<b>10,026,040</b>

## WHO RUNS THE FUND

The Board has equal representation of employer and employee trustees.

It consists of five members.

Two employer representatives are nominated by the companies, two employee representatives are elected by the members and a Chairperson is appointed by the Governor.

As at 30 June 2010 the members of the Board were:

### INDEPENDENT CHAIRPERSON:

**Ms B Whittle**

### EMPLOYER NOMINATED MEMBERS:

**Mr R Conley**  
Chief Executive Officer  
Griffin Coal Mining Co Pty Ltd

**Mr S Reynolds**  
Human Resources Manager  
Premier Coal

**Mr D Pullan (Alternate Member)**  
Premier Coal

### EMPLOYEE ELECTED MEMBERS:

**Mr G N Wood**  
Secretary, CFMEU Mining and Energy Division WA

**Mr G Faries**  
Premier Coal

**Mr G Della (Alternate Member)**  
Griffin Coal Mining Company Pty Ltd

### ADMINISTRATION MANAGER:

**Mr G E Peirce**

### FUND CONTACTS / ADVISERS

To help manage the Fund the Board is assisted by a range of professional advisers. These include:

**Accounting & Taxation**  
Sharyn Long – Chartered Accountants

**Actuarial and Investment Advice**  
PricewaterhouseCoopers – Actuaries & Consultants.

**Life Office Insurer**  
CommInsure

**Trustee Liability Insurer**  
The Board has a Policy for Indemnity insurance with Vero.

## KEY ADVANTAGES OF THE CISF

### The Coal Industry Superannuation Fund provides for its members:

- ▶ A defined benefit scheme based on a benchmark amount for all members.
- ▶ Cost to the member is 3% of the benchmark amount.
- ▶ Cost to the employer can range between 7% and 10% of the benchmark amount and is currently set at 8.5%.
- ▶ Administration charges are not directly deducted from members benefits but have been taken into account in the formula calculations for benefit payments by the Actuary.
- ▶ Death and disability cover is included in the benefits at no additional cost (subject to a medical report).
- ▶ Preservation of benefits is available to members.
- ▶ Member Protection is automatically provided in that no member's benefit, including preserved benefits, is diminished by fees.
- ▶ Members may make after tax contributions, salary sacrifice contributions and award contributions to an accumulation account in the Fund.

Members with accumulation only accounts (that is those with no defined benefit) have a fee of \$1 per week deducted from their accounts.

- ▶ Account Based Pensions and Transition to Retirement Pensions are available at minimal cost to members.
- ▶ Access to MBF Corporate Health Plan

### MEMBER ENQUIRIES

Members are able to contact the Administration Manager for enquiries at the Board's Office

242 Rokeby Road Subiaco or on

Telephone: (08) 9388 1840

Facsimile: (08) 9388 3545

Web: [www.cisf.com.au](http://www.cisf.com.au)

Email: [cisb@bigpond.com](mailto:cisb@bigpond.com)

Members are also able to make appointments with the Administration Manager in Collie if they wish.



## REVIEW OF OPERATIONS

### 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.

The Fund has complied with the Anti-Money Laundering and Counter Terrorism Financing Act 2006 and has introduced a comprehensive policy to comply with the legislation effective from 12 December 2007.

### AUDITORS OPINION

The Financial Statements contained in this Report are abridged and unaudited. Complete audited Financial Statements will be included in the Annual Report which will be available by the end of September 2010 when the Auditor's opinion is to hand.

### ACTUARIAL REVIEW

A Triennial Actuarial Review of the Fund was undertaken at 30 June 2009.

The benefits of members continues to be based on the benchmark amount at the time of the benefit payment. The benchmark amount is increased each year in line with the annual increase in Average Weekly Ordinary Time Earnings. Over the three year period, the increase in the benchmark amount was an average of 4.6%.

The average investment return for the Fund over the last three years was -1.8% per annum, net of tax and investment expenses. The corresponding smoothed Fund return averaged -0.8% per annum which was 5.4% per annum less than the increase in the Benchmark Amount.

The Actuary has advised that the Fund is in a sound financial position, and the benefits of all members remain well secured by the current level of assets. Projections for the next ten years indicate that the Fund is likely to remain in a satisfactory financial position, with the current level of assets, together with the future contributions and investment earnings, being adequate to cover members accruing benefits for at least the next three years.

The member's benefits on resignation/retirement (Minimum Vested Benefits) are all well covered by the existing assets, as are the retrenchment benefits. Details of Minimum Vested Benefits are as follows:

### VESTED BENEFITS

This ratio measures the extent to which the minimum entitlements of contributing members are covered by the net market value of assets of the Fund. The minimum entitlements are those benefits payable if all members voluntarily resigned or retired, where aged over 55, as at the valuation date.

For the purposes of calculating the vested benefits, the Actuary has assumed that the resignation benefit is to be the cash/transfer resignation benefit.

Before calculating this ratio, the net market value of assets must be reduced by those assets representing the accumulation account liabilities and the accumulation investment fluctuation reserve (that is the accumulation assets).

Net Market Value Assets:	\$124,132,898
less:	
Accumulation Assets	\$43,747,366
leaving:	
Net market value of defined benefit Assets	\$80,385,532
<hr/>	
Vested Benefits for Defined Benefits (Category A and Retained)	\$76,274,116
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Minimum Vested Benefits Ratio:	105%

A ratio of 105% represents a reasonable level of cover for the Funds vested benefits however it falls short of the preferred target of 110%. The vested benefits ratio at the last Actuarial Review at 30 June 2006 was 135% and has primarily reduced due to the Global Financial Crisis. It should be noted the Funds position has improved since the Actuarial Review and as at 30 June 2010 was approximately 115%.

### AMENDMENTS TO ACT & REGULATIONS

No amendments were made to the Act or Regulations in 2009/2010

### AMENDMENTS TO THE FUND'S RISK MANAGEMENT PLAN

The Coal Industry Superannuation Board Risk Management Plan was updated to reflect that the Board manages risks through processes incorporated in the quarterly trustee meetings.

### INSURANCE OF MEMBERS

The Board insures with CommInsure to cover itself against Death and Total and Permanent Disablement of members both on and off the job to age 60 years. Insurance premiums for 2009/10 amounted to \$202,861 compared to \$178,709 in 2008/09.

## ADDITIONAL INFORMATION

### CIS FUND - PRODUCT DISCLOSURE STATEMENT

The Product Disclosure Statement (PDS) is the Board's main advisory publication and copies can be obtained from the Board's Office or on the Webpage [www.cisf.com.au](http://www.cisf.com.au)

### MEMBERS NEWSLETTER

A Newsletter for members advising of updates and relevant news items is produced and distributed on a regular basis.

### CIS ACT, REGULATIONS ACTUARIAL STATEMENT AND APRA NOTICES

Copies of the Act, Regulations, Actuarial Statement and APRA Notices are available for inspection at the Coal Industry Superannuation Board's Office.

### ANNUAL REPORT

Fund members are provided with a summarised Annual Report (Report to Members). Copies of the Annual Report containing full audited Financial Statements are available on request from the Board's Office or on the website [www.cisf.com.au](http://www.cisf.com.au).

### WEB SITE

The CISF website contains general information on the Fund including publications, forms, newsletters, general superannuation information and web links. The website address is [www.cisf.com.au](http://www.cisf.com.au)

### MEMBERS BENEFIT STATEMENTS

Members are provided with Benefit Statements annually and upon request.

### MEMBER COMPLAINTS

Should you ever need to dispute a matter in relation to your superannuation please contact the Administration Manager 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 Administration Manager.

### EXTERNAL COMPLAINTS TRIBUNAL

If you are not satisfied with the handling of your complaint or the Board 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 Coal Industry Superannuation Board. If the Tribunal accepts your complaint, it will attempt to resolve the matter through conciliation, which involves assisting you and the Coal Industry Superannuation Board to come to a mutual agreement. If conciliation is unsuccessful, the complaint is referred to the Tribunal for a determination which 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, telephone one of the following numbers, for the cost of a local call anywhere in Australia:

**Superannuation Complaints Tribunal ☎ 1300 884 114**

**Australian Prudential Regulation Authority ☎ 1300 131 060**

**If you require any assistance to make a complaint, please contact the Administration Manager.**

## HOW THE FUNDS INVESTMENTS ARE MANAGED

### COAL INDUSTRY SUPERANNUATION FUND INVESTMENT POLICY

The Investment Policy for the Coal Industry Superannuation Fund has been put in place by the Coal Industry Superannuation Board (CISB) to maximise long term investment returns compatible with a prudent level of risk for comparable funds. In pursuing this policy, the CISB will have regard for risk, diversification, liquidity, liabilities and cash flow.

### INVESTMENT OBJECTIVES

Specific objectives are:

1. To achieve a minimum long term rate of return, after taxes and fees, of 2% per annum ahead of growth in the benchmark wage. It was noted that the benchmark wage would move with Average Weekly Ordinary Time Earnings (AWOTE)
2. The required rate of return is the minimum necessary to ensure that the Fund meets its liabilities.
3. The required level of investment return will be measured over 3-year rolling periods. Measurement will commence with effect from 30 June 1995 and will be no less frequently than quarterly.
4. To outperform the average pooled superannuation trust, ignoring all fees and taxes involved in administering and advising the CISB. Measurement will take place on a 3 year rolling basis, commencing 30 June 1995 and will be measured no less frequently than quarterly.

### INVESTMENT STRATEGY

1. The strategy is growth orientated.
2. Investment vehicles are pooled superannuation trusts with the addition of, as necessary to achieve benchmark asset allocation, sector specific funds.

Notwithstanding the overall intention to use pooled and sector specific funds, the CISB retains the flexibility to invest in alternative specific investments. Such investments would only be made if the CISB considered them to be suitable and provided it had received the appropriate professional advice. In such cases, specific investments could comprise up to 20% of the Fund's assets.

### INVESTMENTS AND INVESTMENT MANAGERS

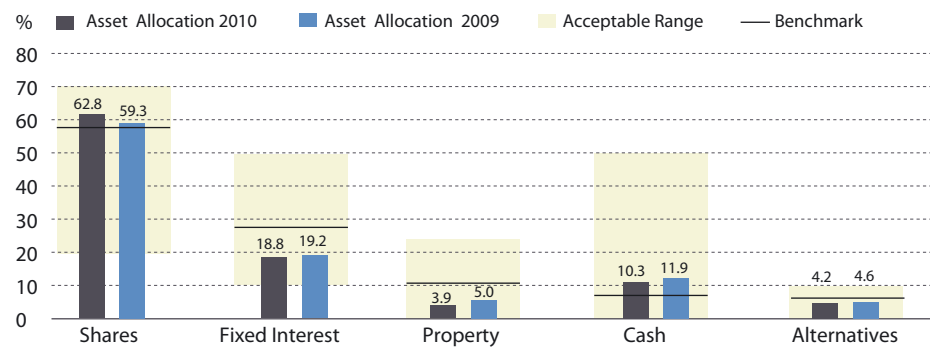
1. The type of investment management preferred is the active approach.
2. Investments will be primarily pooled superannuation trusts. Where deemed appropriate, to bring about a specific portfolio composition within the asset allocation ranges, sector specific investments may be used.
3. Investments will be selected by the CISB from a short list recommended by the investment adviser to the CISB.

Sector specific investments when required can be in any of the major investment sectors as shares, listed property trusts, real property, fixed interest, cash and derivatives, provided asset backed and/or guaranteed.

4. Using derivatives to increase exposure of the portfolio to more than 100% of its value is excluded, as is investment in any fund which uses derivatives in this manner.

## ASSET ALLOCATION

The following chart shows the actual asset allocation of the Fund as at 30 June 2010 against the benchmark or neutral position and the acceptable ranges as set out in the Investment Policy Statement.



## INVESTMENT PERFORMANCE

Measured to 30 June 2010 comparative performance statistics (% p.a.) for the last five years are as follows:

### Accumulation Members

	5 Year Av.	2009-2010	2008-09	2007-08	2006-07	2005-06
	%	%	%	%	%	%
CISB NET EARNING RATE	4.2	11.5	-12.0	-8.4	17.4	16.4
CISB CREDITING RATE	4.4	10.0	-12.0	-5.0	17.0	15.0

The rate of interest credited to members accumulation accounts is based on a Minimum Cash Return Method which involves the following:

- In a year in which the fund earning rate is higher than the return on cash:
  - Crediting Rate = Net cash return + 70% x (Fund return - Net cash return);
  - Provided that this does not result in a reserve greater than, say, 20% of assets - in which case a higher rate would be declared.
- In a year where the Fund return is less than the return on cash:
  - Crediting Rate = Net cash return
  - Provided the reserves are sufficient to allow it.

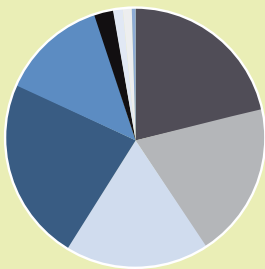
For the 2009/10 year the Board of Trustees on advice from the Actuary agreed to vary the crediting rate from the Minimum Cash Return Method of 9% to 10%.

### Pension Members

	5 Year Av.	2009-2010	2008-09	2007-08	2006-07	2005-06
	%	%	%	%	%	%
CASH EARNING RATE	5.5	3.7	5.2	7.0	6.2	5.6
CASH CREDITING RATE	5.5	3.7	5.2	7.0	6.2	5.6
GROWTH EARNING RATE	4.9	11.9	-12.4	-9.0	18.3	17.4
GROWTH CREDITING RATE	4.5	10.3	-12.4	-5.4	18.9	17.4

The Board of Trustees on advice from the Actuary may vary the crediting rate from the actual earning rate.

## PORTFOLIO 2009-2010



Manager	Net Invested Assets
Schroders (Super Fund)	36,062,665
Maple Brown Abbott (Pooled Super Trust)	31,213,309
BlackRock	27,286,885
MLC (Balanced Fund)	22,012,206
Warakirri New Dimensions Fund	7,486,561
MLC Global Share Trust	7,313,661
CISB Cash	6,762,289
Linq Resources	2,527,620
CISB Land and Building	1,940,400
<b>TOTAL</b>	<b>142,605,496</b>

# FINANCIAL STATEMENTS (ABRIDGED – UNAUDITED)

## STATEMENT OF NET ASSETS AS AT 30 JUNE 2010

	2010 \$	2009 \$
<b>ASSETS</b>		
<b>Cash Assets</b>		
Cash on hand	300	300
Cash at bank	546,992	1,441,778
<b>Receivables</b>		
Accrued income	19297	3,382
Trust Distributions receivable	172909	47,424
GST receivable	5482	5,843
Other receivable	1225	-
<b>Investments</b>		
Pooled Superannuation Trusts	96,562,859	81,643,219
Insurance Policies	22,012,206	18,714,623
Equities in Listed Entities	2,527,620	1,875,655
Units in Unit Trusts	14,800,222	13,981,998
Interest Bearing Investments	6,214,997	4,777,725
Land & Buildings	1,940,400	1,940,400
<b>Other Assets</b>		
Prepayments	25,982	25,364
Office equipment & furniture	24,100	12,500
Motor vehicle	27,500	36,300
Deferred tax assets	293,785	366,496
<b>TOTAL ASSETS</b>	<b>143,175,876</b>	<b>124,873,007</b>
<b>LIABILITIES</b>		
<b>Payables</b>		
Creditors and accruals	108,257	105,225
Current tax liabilities	510,890	499,138
Deferred tax liabilities	2,894	507
<b>TOTAL LIABILITIES</b>	<b>622,041</b>	<b>604,870</b>
<b>NET ASSETS AVAILABLE TO PAY BENEFITS</b>	<b>142,553,835</b>	<b>124,268,137</b>

## STATEMENT OF CHANGES IN NET ASSETS FOR THE REPORTING PERIOD ENDED 30 JUNE 2010

	2010 \$	2009 \$
<b>INVESTMENT REVENUE</b>		
Interest	219,462	172,283
Trust distributions	1,520,323	706,095
Rent received	15,912	15,665
Changes in net market value	11,849,093	(19,524,087)
Direct investment (expenses)/rebate	76,772	121,216
	<b>13,681,562</b>	<b>(18,508,828)</b>
<b>CONTRIBUTION REVENUE</b>		
Employer contributions	5,071,997	4,960,731
Salary sacrifice contributions	2,861,679	3,226,185
Member contributions	1,127,235	1,170,464
Transfers in	581,514	668,660
	<b>9,642,425</b>	<b>10,026,040</b>
<b>OTHER REVENUE</b>		
Insurance proceeds	-	73,996
Changes in net market value other assets	(13,348)	(15,190)
	<b>(13,348)</b>	<b>58,806</b>
<b>TOTAL REVENUE</b>	<b>23,310,639</b>	<b>(8,423,982)</b>
<b>EXPENSES</b>		
General administration expenses	505,804	457,284
Group life premiums	202,861	178,709
Benefits paid	3,378,980	6,818,095
<b>TOTAL EXPENSES FROM ORDINARY ACTIVITIES</b>	<b>4,087,645</b>	<b>7,454,088</b>
<b>CHANGES IN NET ASSETS BEFORE TAX</b>	<b>19,222,994</b>	<b>(15,878,070)</b>
<b>INCOME TAX EXPENSE</b>	<b>937,296</b>	<b>345,510</b>
<b>CHANGES IN NET ASSETS AFTER TAX</b>	<b>18,285,698</b>	<b>(16,223,580)</b>
<b>NET ASSETS AVAILABLE TO PAY BENEFITS</b>		
at the beginning of the period	124,268,137	140,491,717
<b>NET ASSETS AVAILABLE TO PAY BENEFITS</b>		
at the end of the period	<b>142,553,835</b>	<b>124,268,137</b>

**Warning:** The information contained in this publication is general in nature and does not take into account any individual's particular objectives, financial situation or needs. Because of this, you should see appropriate financial advice before acting on this information. For more detailed information on the Fund, please refer to the Fund's Product Disclosure Statement.

**Coal Industry Superannuation Board**  
 ABN 36 645 349 721 AFS Licence 255844  
 RSE Licence: No.L0001212 RSE Registration: R1004281  
 Coal Industry Superannuation Fund ABN 75 305 378 553