

# 2020 Annual Report

Issued: October 2020

QSuper acknowledges the Traditional Owners of this land, recognising their connection to land, waters and community.

We pay our respects to Australia's First Peoples, and to their Elders past, present, and future.

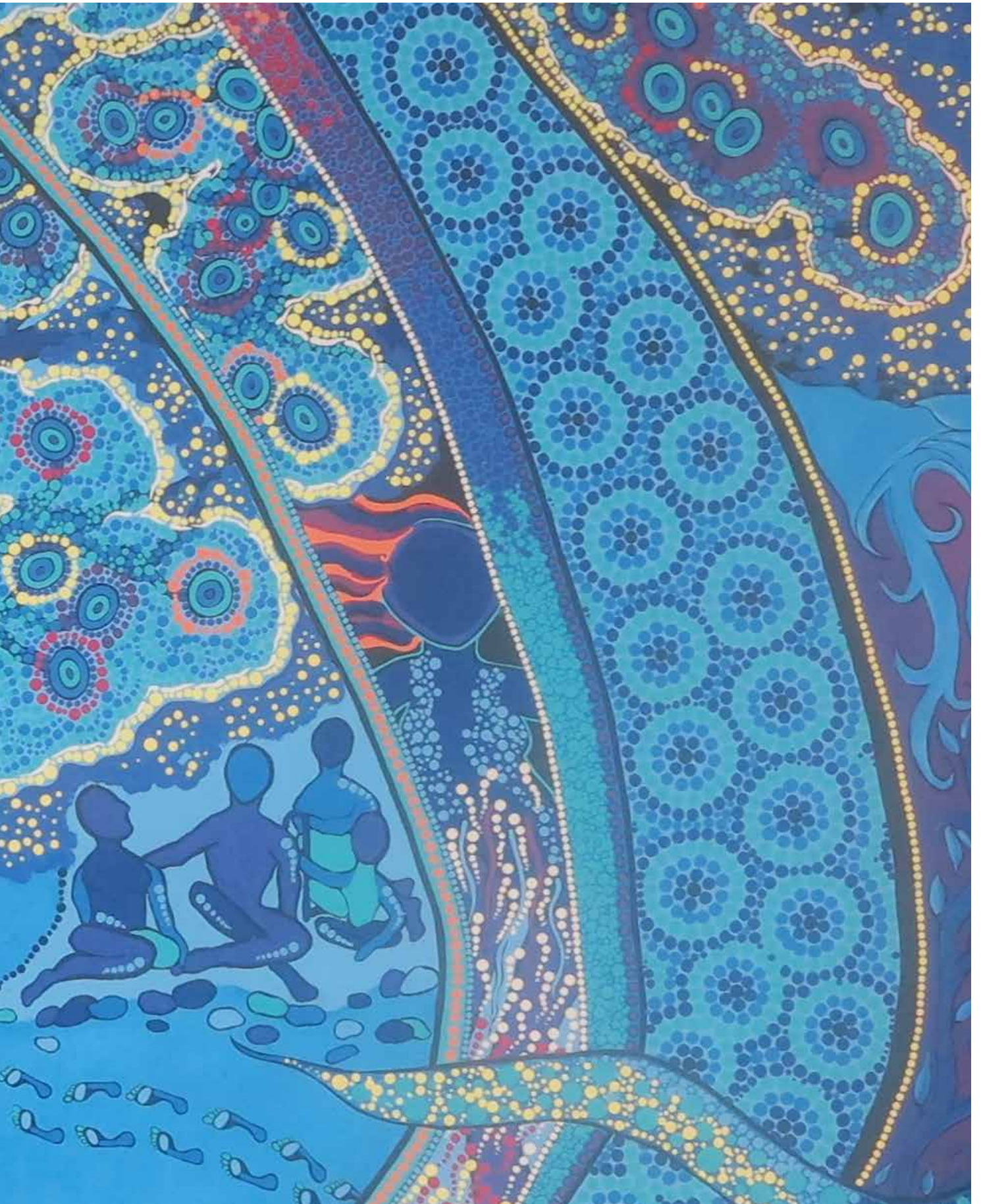


#### The Gift of Transition

Sally Terare

This artwork by Brisbane-based Indigenous artist Sally Terare is titled *The Gift of Transition* and was commissioned by QSuper to mark our move to becoming an open fund in 2017. Born to a mother of Bundjalung and Butchulla descent, Ms Terare painted an image of open hands and added butterflies, which start as caterpillars and transform into winged creatures. "The idea is that it's a gift for us to be able to change, to transition into something," Terare said. Learn more about our other Indigenous artworks and QSuper's commitment to reconciliation at [qsuper.qld.gov.au/reconciliation](https://qsuper.qld.gov.au/reconciliation)







# Supporting firefighters

Australia endured a devastating summer of bushfires in 2019-20, bringing into focus the incredible work of our nation's firefighters and emergency services workers.

Throughout the crisis, our thoughts were with all Australians affected, including the many QSuper members working both on the front line and behind the scenes to assist communities in need.

QSuper has been a proud sponsor of the QFES Australia Day Achievement Awards for the past 12 years, and Chief Executive Officer Michael Pennisi praised the courage and dedication of the state's firefighters and emergency services workers who "faced the challenge head on, volunteers and professional personnel together, literally running into areas in need".





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# Focused on members in a year like no other

For over 100 years, QSuper has been there for members – in the good times and the tough ones.

2020 has been a year like no other as the COVID-19 health emergency has swept the globe.

We have remained focused on supporting the needs of members, including many nurses and healthcare workers, and police officers on the front lines.

The world may have reeled from the impacts of COVID-19, but we worked and acted to inform, reassure, and support members.



# Our story

As one of Australia's largest and oldest superannuation funds, QSuper is here to grow our members' super.

Today we administer approximately \$117 billion<sup>1</sup> in retirement savings for more than 594,000 Australians. As a profit-for-members superannuation fund, everything we do is for our members, including working hard to maximise returns through our unique investment strategy, which held up strongly during the COVID-19 pandemic crisis, and striving to keep fees as low as possible.

When members come first, we all win



For further ratings information, see the back cover and visit [qsuper.qld.gov.au/awards](http://qsuper.qld.gov.au/awards).

<sup>1</sup> Net assets include the retirement funds managed by QSuper and employer-sponsor receivables for Defined Benefit members managed and held by Queensland Treasury.

# The Chair's report



**Don Luke**

Chair of the QSuper Board and the QSuper Limited and QInvest Limited Boards

**We are in the midst of a very difficult time for our community due to the health and economic effects of COVID-19. Many of our members' lives have been seriously affected and our hearts go out to them. Many of them are also at the front line of the community response to the health threat and we are deeply grateful. The QSuper Board's focus is to serve our members and it's been pleasing, since joining the Board in December 2019, to see the dedication of QSuper staff to serving members' needs for their retirement wellbeing.**

This is evident through this annual report. Crises are the ultimate test for the philosophies and strategies of an organisation. While we are disappointed with low market returns, due to the economic dislocation caused by COVID-19 across the world, our risk-balanced investment strategy has helped members by delivering solid returns. We have adapted to the changes caused by COVID-19 to maximise the educational and advice opportunities for members and we have innovated to develop new services to meet emerging needs.

While this is a credit to QSuper as an organisation, it is also a credit to the members who support us and trust us with one of their largest assets, their retirement savings.

## Guidance through strong governance

It's been pleasing to see that management and staff have this well in hand, particularly through such a challenging year. The Board's role is to support and guide management through strong governance. The risk controls QSuper exercises protect both members' funds and the reputation of the organisation.

While trustees make decisions in the best interests of members, they also carry responsibility for important external relationships with employer and trade union organisations, government and regulators.

For QSuper, an important relationship is with the Queensland Government, which carries legislative authority and is the largest employer of our members. We value the relationship and look forward to further enhancing it into the future.

## Merger talks and community support

A significant matter for the Board this next financial year will be the decision on whether to proceed with a merger with Sunsuper. Together, we would become one of the largest superannuation funds in Australia as measured by both members and funds under management. Our sole focus in making this decision will be based only on what is best for our members, now and into the future.

We recognise the important role our members play in the community and, as an organisation, we back them with support through programs that help prevent domestic violence, improve the financial literacy of women and of Indigenous communities.

## Thank you to the QSuper team

The Board recognises and is grateful to the QSuper team, led by CEO Michael Pennisi, for their commitment to help our members achieve their retirement goals. I also thank the former QSuper Chair, Karl Morris, AO, for his six years of leadership, and outgoing QSuper trustees Steve Christie and Ruth McFarlane for their service to the Board for the past five and six years respectively. At the same time, I welcome new trustees, Professor Michael Drew and Bruce Cowley.

The QSuper Board appreciates the trust that members show in us and the organisation we govern to take care of their retirement savings. Our commitment is to do all in our power to serve them and help them achieve their best retirement.



**Don Luke**



# Highlights for 2019-20



**594,000**  
members



**\$117 billion**  
funds under administration



**49,000**  
employers across Australia  
contributed to QSuper



**#1** on a risk and return basis  
over the last 1, 3, 5, 7, and 10  
years to 30 June 2020<sup>1</sup>



**173,300**  
members called our Member  
Services team



**Industry leader**  
in 10-year investment  
performance<sup>2</sup>



**8,880**  
calls to our Employer Solutions  
and Support team



**3x**  
rated Australia's best  
Income account<sup>3</sup>



**311,000**  
members managed their super  
via Member Online



**#1**  
for member satisfaction<sup>4</sup>



**10%+**  
social media growth  
year-on-year

<sup>1</sup> SuperRatings Fund Crediting Rate Survey, June 2020. SR50 Balanced Index (60-76), QSuper Accumulation account Balanced option only. Risk and return ranking based on standard deviation. SuperRatings does not issue, sell, guarantee or underwrite this product. For details on the methodology refer to [superratings.com.au](http://superratings.com.au). Past performance may not be a reliable indicator of future performance.

<sup>2</sup> SuperRatings Fund Crediting Rate Survey, June 2020. SR50 Balanced Index (60-76). Past performance may not be a reliable indicator of future performance. QSuper's Accumulation account, Balanced option only, ranked eight over 10 years to 30 June 2020. Based on cumulative returns, compounded annually, after fees and taxes (excluding fixed administration, contribution, switching fees, and insurance premiums). SuperRatings does not issue, sell, guarantee, or underwrite this product. Ratings, awards, or investment returns are only some of the factors you should consider when deciding how to invest your super. Go to [superratings.com.au](http://superratings.com.au) for details of its ratings criteria.

<sup>3</sup> Based on recipients of Pension Fund awards from *Money* magazine, SuperRatings, and Chant West. These awards are solely statements of opinion and do not represent a recommendation to purchase, hold, or sell any securities, or make any other investment decisions. Ratings are subject to change. Ratings, awards, or investment returns are only some of the factors you should consider when deciding how to invest your super. Past performance may not be a reliable indicator of future performance.

<sup>4</sup> Roy Morgan, Superannuation Satisfaction: Satisfaction with Financial Performance of Superannuation in Australia. Six months to April 2020, n=13,431, Base: Australians aged 14+ with work-based or personal superannuation. 14 largest super funds based on customer numbers.

# The CEO's report



**Michael Pennisi**

Chief Executive Officer of QSuper, QSuper Limited and QInvest Limited

**This year has been one like few others in QSuper's more than 100-year history. We finished the 2019-20 financial year with a sense of pride in the way we served members, and with a close eye on the continued uncertainty about the health and economic impacts of COVID-19. As always, our number one priority is to support our 594,000 members and give them confidence in their retirement wellbeing. Many of our members are on the front line supporting the community through these challenging times, and the thanks and admiration of everyone at QSuper goes to these very special people.**

We know from talking with our members that consistent and strong investment returns are of the utmost importance to them. It is therefore pleasing our investment strategy helped smooth returns and continued to support members during the share market volatility experienced this year.

During this time, we listened to our members and their need for information and help, providing access to articles and webinars on critical topics, and sharing insights into our investment strategy through multiple new digital forums.

As with many businesses, the necessary closure of our offices resulted in almost the entire QSuper business being conducted from our homes. I'm pleased to say the significant investment in technology and our people over recent years enabled us to maintain member service levels at a time of increased demand, and we were able to continue to innovate and enhance the products, services and advice we provided to members.

## Leading investment returns

Superannuation is a long-term investment and our investment strategy is purposefully designed for the long-term, which is evident in our 10-year performance to June 2020 that again ranks QSuper as one of the top 10 balanced funds in Australia.<sup>1</sup> We were also recognised by ratings agencies for providing returns with the least volatility over this time.

## New products and services

QSuper has always prided itself on innovation, which has again been demonstrated over the past year.

Our Socially Responsible investment option has been refreshed by replacing the investment manager, and this will change the focus through making a positive impact on the environmental and social considerations members have told us they care about most. This refresh has been developed with direct input from members, and aims to deliver on the same financial investment objectives of strong returns with fewer ups and downs in line with QSuper's unique investment approach.

We have also continued to invest in technology solutions to assist the way we serve our members and use data for more personalised service delivery, and launched a new, simple and secure mobile app for our members from June 2020.

Following a detailed review of the advice needs of our members, we implemented some changes to the personal advice services currently offered through QInvest. The changes expand the range of topics that QSuper members can access over the phone, at no additional cost to members, and will mean comprehensive advice will no longer be available to clients. Comprehensive advice appointments booked and ongoing service agreements entered into prior to 6 July 2020 are however being honoured.

We have also made insurance easier to access for front-line workers joining us. A joining process, designed in partnership with our public sector employers, makes it easier to opt in to insurance, which might not otherwise have been immediately available for these members. This is particularly important for our new members working on the front line as they support our community during COVID-19.

<sup>1</sup> SuperRatings Fund Crediting Rate Survey, June 2020. SR50 Balanced Index (60-76). Past performance may not be a reliable indicator of future performance. QSuper's Accumulation account, Balanced option only, ranked eight over 10 years to 30 June 2020. Based on cumulative returns, compounded annually, after fees and taxes (excluding fixed administration, contribution, switching fees, and insurance premiums). SuperRatings does not issue, sell, guarantee, or underwrite this product. Ratings, awards, or investment returns are only some of the factors you should consider when deciding how to invest your super. Go to [superratings.com.au](http://superratings.com.au) for details of its ratings criteria.



## Excellence recognised

Our performance as a fund is recognised across the superannuation sector and this provides members with comfort that they are with a strong and member-focused fund for their retirement. Our Accumulation account won *Money* magazine's Best Balanced Super Product of 2020<sup>1</sup> and we were recognised by industry ratings agency Chant West as Pension Fund of the Year (for the fifth consecutive year) and as Best Fund for Investments.<sup>2</sup> Another ratings agency, SuperRatings, gave us the Smooth Ride Award as well as its Platinum Performance rating, which we received for the 10th year in a row.<sup>3</sup>

## The future

A continually growing fund is important for our members as it enables us to invest in products, services and advice that supports their retirement savings journey. With that in mind, we are exploring the benefit of a merger with another Queensland-based fund, Sunsuper, but any final decision will be made through the lens of there being clear benefit for QSuper members.

We recognise the many issues that COVID-19 has created for our members and the uncertainty this has added to all of our lives. But QSuper remains a constant. We have been serving members for more than 100 years and our sole purpose remains: to work tirelessly for our members. I look forward to continuing to lead the QSuper team to continue to deliver on this promise.



**Michael Pennisi**



<sup>1</sup> Awarded *Money* magazine's Best of the Best 2020 – Best Balanced Super Product. *Money* magazine awards are solely a statement of opinion and do not represent a recommendation to purchase, hold, or sell this product, or make any other investment decisions. Ratings are subject to change. Go to [moneymag.com.au](http://moneymag.com.au) for details of its ratings criteria. Ratings, awards, or investment returns are only some of the factors you should consider when deciding how to invest your super. Past performance is not a reliable indicator of future performance.

<sup>2</sup> Awarded Chant West 2020 Pension Fund of the Year and Best Fund for Investments. Chant West does not issue, sell, guarantee, or underwrite this product. For further information about the methodology used by Chant West, see [chantwest.com.au](http://chantwest.com.au). Past performance is not a reliable indicator of future performance. Awards and ratings are only one factor when deciding how to invest your super.

<sup>3</sup> Awarded SuperRatings Smooth Ride Award 2020 and 10-year Platinum Performance from 2010-2020. SuperRatings does not issue, sell, guarantee or underwrite this product. Go to [superratings.com.au](http://superratings.com.au) for details of its ratings criteria. Past performance is not a reliable indicator of future performance. Ratings, awards, or investment returns are only some of the factors you should consider when deciding how to invest your super.

# QSuper in the **community**

**QSuper is one of Australia's oldest and largest superannuation funds and looking after our members' retirement savings is of utmost importance. We also believe in investing in partnerships that will improve the wellbeing of our members and the communities in which they work and live.**

Rarely have we felt our sense of purpose so strongly as in this financial year, as destructive bushfires ravaged many parts of Australia and then the impacts of the COVID-19 pandemic swept the country.

Through this time, QSuper continued to support the wellbeing of the community, particularly the most vulnerable, through various initiatives.

## Connecting Aboriginal and Torres Strait Islanders with their super

In June 2018, QSuper launched our first Reconciliation Action Plan, demonstrating our dedication to advancing reconciliation in Australia through improving financial literacy, promoting cultural awareness and increasing access to superannuation services and potential benefits.

We identified that many Aboriginal and Torres Strait Islander people face significant and unique barriers that may prevent access to their super. To counter this, QSuper actively engages with these communities to help break down obstacles and provide fair and equitable access to their super.

To that end, in 2019-20, QSuper teams visited remote North Queensland Indigenous communities at Thursday Island, Doomadgee, Yarrabah and Bamaga.

The trips were a great success, with almost 400 Aboriginal and Torres Strait Islander QSuper members being helped by the QSuper team. Across the four events, we reconnected more than \$1.3 million in super with its owners. We also paid more than \$2 million to community members from 12 Far North Queensland families, who were the beneficiaries of deceased QSuper members.

## Addressing domestic violence

In the past financial year, QSuper signed a new three-year partnership with DVConnect, the leading crisis response service that operates 24 hours a day, seven days a week throughout Queensland to support victims of domestic violence and their families.

The continued funding of an additional full-time support officer meant an extra 4,000 calls a year could be answered to meet the safety needs of anyone affected by domestic and family violence anywhere in the state.

QSuper is also an active member of the Queensland Government Domestic Violence Roundtable, convened and chaired by Di Farmer, Minister for the Prevention of Domestic and Family Violence. We have an arrangement in place to support domestic violence training delivered by DVConnect to Queensland nurses and midwives and we continued our partnership with domestic violence charity RizeUp.

We were also a supporter of Queensland DFV Prevention Month in May, which included raising awareness and support of the Candle Lighting Vigil.

## Supporting great programs

QSuper proudly continued as a principal partner with the Royal Flying Doctor Service (Queensland Section) to support RFDS flight nurses to provide vital health care to regional and remote Queenslanders. The three-year sponsorship arrangement provides support for ongoing professional development for RFDS Queensland flight nurses, including the STAR training program.

We also continued to partner with Juiced TV – a program made by kids in hospital, for kids in hospital, aimed at recognising hospital "Super Heroes", medical and support staff who selflessly dedicate themselves to the wellbeing of others.

With almost two-thirds of QSuper members being women, we continued to support women's financial wellbeing through our She's on Q events. The aim of the events is to provide relevant information to assist women to make informed decisions about career, financial security and life goals. In the past year, we launched the dedicated She's on Q website as an information hub for women and held three events which featured guest speakers and QSuper experts.













# Our investment options

Full details of our investment options including the investment objective, risk, and fees for each can be found on our website and in our product disclosure statement.

QSuper Lifetime – default option for the Accumulation account<sup>1</sup>

<b>Outlook</b> Aged under 40	<b>Aspire</b> Aged 40-49	<b>Focus</b> Aged 50-57	<b>Sustain</b> Aged 58 or over
 <b>Outlook</b> <b>Balance:</b> Any <b>Suitable:</b> Long-term investors who want exposure to assets with potentially higher returns.	 <b>Aspire 1</b> <b>Balance:</b> Less than \$50,000 <b>Suitable:</b> Medium to long-term investors with lower account balances who want exposure to assets with potentially higher returns.	 <b>Focus 1</b> <b>Balance:</b> Less than \$100,000 <b>Suitable:</b> Medium-term investors with low balances who want exposure to assets with potentially higher returns.	 <b>Sustain 1</b> <b>Balance:</b> Less than \$300,000 <b>Suitable:</b> Investors who are close to, or in, retirement.
	 <b>Aspire 2</b> <b>Balance:</b> \$50,000 or more <b>Suitable:</b> Medium to long-term investors with higher account balances who want exposure to assets with potentially higher returns.	 <b>Focus 2</b> <b>Balance:</b> \$100,000 to less than \$250,000 <b>Suitable:</b> Medium-term investors with moderate account balances who want exposure to assets with potentially higher returns.	 <b>Sustain 2</b> <b>Balance:</b> \$300,000 or more <b>Suitable:</b> Investors who are close to, or in, retirement.
		 <b>Focus 3</b> <b>Balance:</b> \$250,000 or more <b>Suitable:</b> Medium-term investors with high balances who want exposure to assets with potentially higher returns.	

<sup>1</sup> Only available to Accumulation account members.



## Diversified



### Moderate

Suitable for investors who want short to medium-term stability and some exposure to assets that will potentially give higher returns. Investors in the Moderate option should remember that in return for shorter-term stability, they may be sacrificing the potential for higher long-term returns.



### Balanced

#### Default option for the Income account

Suitable for medium to long-term investors who want exposure to assets with potentially higher returns. Investors in the Balanced option should also be prepared to accept that this option could experience negative returns over the short term.



### Socially Responsible<sup>1</sup>

Suitable for medium to long-term investors who want an investment that considers environmental, social, and ethical considerations. Investors in the Socially Responsible option who want exposure to assets with potentially higher returns should also be prepared to accept that this option could experience negative returns over the short term.



### Aggressive

Suitable for long-term investors who want exposure to assets with potentially higher returns. Investors in the Aggressive option should also be prepared to accept that this option could experience negative returns over the short to medium term.



### Self Invest option<sup>3</sup>

QSuper's direct investment option, Self Invest, allows members to tailor their own investment strategy by combining direct Australian shares, exchange-traded funds (ETFs) and term deposits with QSuper's other investment options. It is an entirely online investment option and provides eligible members with the ability to buy and sell in real time with access to up-to-date market research and data, including watchlists and alerts that can be customised.

## Single sector



### Cash

Suitable for short-term investors who want to protect the value of their investments. Investors in the Cash option should also be aware that there will be little real growth over the short term.



### Diversified Bonds<sup>2</sup>

Suitable for short to medium-term investors who want steady returns. Investors in the Diversified Bonds option should also be prepared for the value of their investment to have some small movements over the short term.



### International Shares

Suitable for long-term investors who want potentially higher returns over the long-term. Investors in the International Shares option should also be prepared to accept that this option could experience negative returns over the short to medium term.



### Australian Shares

Suitable for long-term investors who want exposure to assets with potentially higher returns over the long term. Investors in the Australian Shares option should also be prepared to accept that this option could experience negative returns over the short to medium term.

<sup>1</sup> From 1 July 2020, QSuper took over management of the Socially Responsible investment option. This option was previously managed by AMP Capital Investors and invested in their Ethical Leaders Balanced Fund.

<sup>2</sup> This option is managed externally through QIC Limited.

<sup>3</sup> Only available to Accumulation and Retirement Income account members.

# The QSuper Board and committees

The QSuper Board is committed to giving members confidence in their retirement outcomes. The QSuper Board sets objectives for the Fund that are in line with its governing rules and superannuation legislation, and meets regularly to review the performance of the Fund against these objectives.

## Appointment of Trustees

Set up under the *Superannuation (State Public Sector) Act 1990* (QSuper Act), the QSuper Board is currently made up of nine individual trustees, including equal employer and member entity representation, as well as one additional, independent trustee. The four employer representatives are nominated by the Queensland Government, while the four member representatives are nominated by the Queensland Police Union of Employees, Queensland Nurses and Midwives' Union, Queensland Teachers' Union, and Together Queensland. The QSuper Act sets out the requirements for the appointment of trustees and they serve on the QSuper Board for a term of up to three years. After this initial period, they may be nominated for reappointment, generally up to a maximum tenure of nine years. QSuper Trustees are also appointed as Directors of QSuper Limited and QInvest Limited.

## Board responsibilities

The QSuper Board meets regularly to discuss the management and strategic direction of the Fund, investment strategy and performance, products on offer, and service delivery. The QSuper Board is committed to meeting its legislative and regulatory obligations and making sure it fulfils its legal and ethical responsibilities as trustee of the Fund. It also has a clearly defined and transparent framework for the governance of its managerial and operational responsibilities, in line with industry standards and regulations.

## Board remuneration and indemnification

The Queensland Treasurer, in consultation with the QSuper Board, approved the QSuper Board remuneration rates for the 2019-20 financial year. This remuneration was made up of an all-inclusive fee for all QSuper Board related activities, including committee memberships, and QSuper Limited and QInvest Limited directorships. The annual fee is independent of the Fund membership numbers, funds under management, or the investment performance of the Fund. QSuper Board members who are also active public sector employees aren't remunerated for performing their trustee duties. The QSuper Act includes indemnification of the QSuper Board, which is also covered by indemnity insurance taken out by the QSuper Board.

## Independent Trustee



Don Luke

## Chair

### Financial Services Professional

- Bachelor of Science (Maths and Physics)
- Bachelor of Arts (Economics and Psychology)
- Fellow, Australian Institute of Management
- Member, Australian Institute of Company Directors

Mr Luke is currently Non-Executive Chair of private equity manager M.H. Carnegie & Co. and For Purpose Investment Partners.

Mr Luke was previously Chair of QIC Limited for five years until March 2019, a Non-Executive Director of AMP Capital Investors Limited and AMP Capital Holdings for seven years until March 2014, and the Executive Director of the Community Services Commission for the Anglican Church in South Queensland for five years until August 2012. Prior to this role, Mr Luke was CEO of Sunsuper for 10 years until May 2007, and prior to that AMP, Queensland Manager.

Mr Luke was appointed to the QSuper, QSuper Limited, and QInvest Limited Boards on 1 January 2020. He is currently a member of the Audit & Risk, Investment and People & Nominations Committees, as well as Chair of the Merger Proposal Board Steering Committee.

## Member Representative Trustees



**Bruce Cowley**

### Trustee

#### Non-Executive Director

- Bachelor of Commerce
- Bachelor of Laws (Honours)
- Fellow of the Australian Institute of Company Directors
- Justice of the Peace

Mr Cowley was, until 30 June 2019, Chair of one of Australia's largest law firms, MinterEllison, and has practiced as a corporate lawyer for more than 38 years, specialising in directors' duties and corporate governance. He authored the *Protecting Your Position* series of publications on director liabilities and co-authored the book *Duties of Board and Committee Members*.

Mr Cowley is currently a director of a number of not-for-profit and government entities, including as Chair of CPL, the Children's Hospital Foundation Queensland, and IDEAS Van Partnerships, as well as being a member of the Takeovers Panel, the Australian Institute of Company Directors Law Committee, and Griffith University's Strategic Advisory Board.

Mr Cowley was appointed to the QSuper, QSuper Limited, and QInvest Limited Boards in December 2019 and is currently a member of the Audit & Risk and Merger Proposal Board Steering Committees.



**Shayne Maxwell**

### Trustee

#### Assistant General Secretary, Queensland Police Union of Employees

- Member of Australian Institute of Company Directors

Mr Maxwell is Assistant General Secretary of the Queensland Police Union of Employees.

He is also an Executive Member of the Queensland Council of Unions and a Director of the Queensland Police Legacy Scheme. Mr Maxwell is an experienced law enforcement officer, having served in the Queensland Police Service between 1981 and 2018.

Mr Maxwell was appointed to the QSuper, QSuper Limited, and QInvest Limited Boards in June 2018. He is currently a member of the Audit & Risk Committee.



**Beth Mohle AM**

### Trustee

#### Secretary, Queensland Nurses and Midwives' Union (QNMU)

- Bachelor of Arts
- Certificate in General Nursing – Registered Nurse
- Postgraduate Certificate in Health Economics
- Certificate in Superannuation Management
- Certificate of Trusteeship (Superannuation)
- Fellow of the Australian Institute of Superannuation Trustees (FAIST)

Ms Mohle is currently Secretary of the QNMU and is also Senior Vice-President of the Queensland Council of Unions (QCU).

Ms Mohle was previously a board member of HESTA, including a term as both Chair and Deputy Chair. In 2008, the Australian Institute of Superannuation Trustees (AIST), named Ms Mohle Trustee of the Year. Ms Mohle was recognised in the 2020 Queen's Birthday Honours List and was awarded the Member of the Order of Australia (AM) for her significant service to industrial relations, the nursing profession and the superannuation sector.

Ms Mohle was appointed to the QSuper, QSuper Limited and QInvest Limited Boards in December 2013 and is currently Chair of the People & Nominations Committee, as well as a member of the Investment Committee and Merger Proposal Board Steering Committee.



## Employer Representative Trustees



**Kate Ruttiman**

### Trustee

Deputy General Secretary,  
Queensland Teachers' Union (QTU)

- Bachelor of Arts
- Graduate Diploma of Education (Secondary)
- Certificate in Super Essentials (ASFA)

Ms Ruttiman has been QTU Deputy General Secretary since 2010 and is also currently the Honorary President of the Queensland Council of Unions. Ms Ruttiman is QTU's lead enterprise bargaining negotiator and leads the Union's response to new educator issues. Ms Ruttiman also represents the QTU on the Rural and Remote Education Stakeholders Reference Group, the School Improvement Advisory Committee, and Teaching Queensland's Future Stakeholders Reference Group. Ms Ruttiman is a member of the Australian Institute of Company Directors and was previously a Board member of Teachers' Union Health and Southbank Institute of TAFE.

Ms Ruttiman was appointed to the QSuper, QSuper Limited, and QInvest Limited Boards in December 2018 and is currently a member of the People & Nominations and Audit & Risk Committees.



**Mary-Anne Curtis**

### Trustee

Director-General, Department of  
Employment, Small Business and  
Training

- Bachelor of Laws
- Bachelor of Commerce

Ms Curtis is currently the Director-General of the Department of Employment, Small Business and Training. She was previously a Deputy Under Treasurer within Queensland Treasury, providing advice and analysis to the Queensland Government on public policy, fiscal, and economic issues, particularly in relation to social policy portfolios and inter-governmental financial relations.

Ms Curtis is a member of the Australian Institute of Company Directors and holds a Bachelor of Laws and Bachelor of Commerce from QUT and the University of Southern Queensland respectively.

Ms Curtis was appointed to the QSuper Board on 1 July 2018, the QSuper Limited and QInvest Limited Boards in August 2018 and is currently Chair of the Audit & Risk Committee as well as a member of the People & Nominations Committee.



**Professor Michael E. Drew**

### Trustee

Chief Investment Officer,  
MGD Private

- PhD in the field of Economics
- Fellow, Australian Institute of Company Directors
- Master Member, Stockbrokers and Financial Advisers Association

Professor Drew is a consulting financial economist specialising in the areas of investment governance, pension plan design and outcome-oriented investing.

Professor Drew is the Chief Investment Officer at MGD Private and a Professor of Finance at Griffith University. Concurrently, he serves as a member of the Investment Advisory Board of the Petroleum Fund of Timor-Leste and as a Trustee (and member of the Finance, Audit, and Risk Committee) of Mary Aikenhead Ministries.

Professor Drew was appointed to the QSuper, QSuper Limited, and QInvest Limited Boards in January 2020 and is currently a member of the Investment Committee.

## Investment Committee Member



Walter Ivessa

### Trustee

Former Assistant Under Treasurer,  
Queensland Treasury

- Bachelor of Economics
- RG146 Superannuation

Mr Ivessa joined Queensland Treasury in 1981 and was an Assistant Under Treasurer until his retirement in December 2014. During his career as a senior executive with Queensland Treasury, Mr Ivessa's areas of responsibility included budget strategy and management, economic reform and regulation, government owned corporations, and inter-governmental relations.

Mr Ivessa is also a former member of the Public Trust Office Investment Board.

Mr Ivessa was appointed to the QSuper and QSuper Limited Boards in June 2009, and to the QInvest Limited Board in December 2013.

He is currently Chair of the Investment Committee, as well as a member of the Audit & Risk and Merger Proposal Board Steering Committees.



Sandra McCullagh

### Trustee

Principal and Director,  
About Energy

- Bachelor of Science in Computer Science and Maths
- Bachelor of Arts in Computer Science
- Master of Business Administration
- Graduate of Australian Institute of Company Directors

Ms McCullagh is the Principal and Director of About Energy, a consulting firm in the areas of energy, environment, social and governance issues. Ms McCullagh is currently a member of the Investor Group on Climate Change and the Queensland Government's Climate Advisory Council. Ms McCullagh is also the Chair of Clayfield College and is on the Board of the Sydney Dance Company.

Ms McCullagh was previously both a Director – Equities Research, and Head of Environmental, Social & Governance Equities Research at Credit Suisse and has held senior positions at several energy companies.

Ms McCullagh was appointed to the QSuper Board on 25 February 2019, the QSuper Limited and QInvest Limited Boards in March 2019 and is currently a member of the People & Nominations Committee, Investment Committee and Merger Proposal Board Steering Committee.



Chris Condon

Principal, Chris Condon Financial  
Services

- Bachelor of Commerce
- First Class Honours in Finance

Mr Condon established his consulting firm in March 2010 to help institutional investors develop, implement and manage their investment programs. Prior to this, Mr Condon was Chief Investment Officer of MLC and in this capacity he led a substantial investment team charged with managing MLC's \$60 billion in funds under management. He has also been a Fellow of the Actuaries Institute, the Director of Consulting in Australia for Russell Investments as well as a founding member of Tower Perrin's asset consulting business (now Willis Towers Watson).

Mr Condon was appointed a member of the Investment Committee in April 2016.





## People & Nominations Committee

The Committee helps the QSuper Board in fulfilling its regulatory oversight. It ensures the QSuper Group has a clearly articulated and appropriate remuneration framework, which fairly and responsibly rewards individuals having regard to performance, risk management, legislative requirements and the highest standards of governance. The Committee endeavours to ensure that the QSuper Group's remuneration framework encourages behaviour that supports:

- Protecting the interests, and meeting the reasonable expectations, of beneficiaries
- The long-term financial soundness of the Fund and any of its related entities
- QSuper Group's risk management framework.

The Committee also considers strategic human resource matters for the QSuper Group and assists the QSuper Board in matters related to the nomination of potential candidates to become QSuper Trustees.

## Merger Proposal Board Steering Committee<sup>1</sup>

The Merger Proposal Board Steering Committee was established to provide an objective, non-executive approval mechanism for potential successor fund transfers or merger proposals. This includes any form of engagement between QSuper and another trustee of a superannuation fund and consideration of any appropriate form of joint venture, alliance, merger, or other forms of successor fund transfer.

The Committee provides oversight of the effectiveness of the internal controls for monitoring compliance with established QSuper processes, the agreed terms of each merger proposal, and all relevant laws and regulatory guidance to each merger proposal.



# Managing our members' super

## QSuper's investment arrangements

### QSuper Board's approach to investing

The QSuper Board's key objective is to help our members achieve their retirement goals. To do this, the QSuper Board offers a number of investment options (pages 14-15), each with its own return objective, risk profile and investment strategy. These are underpinned by the QSuper Board's core investment principles, which aim to reduce market volatility for consistent returns so we can deliver better retirement outcomes for our members.

### Who invests your money?

The QSuper Board has built up a strong in-house investment capability since 2009. As part of this function, QSuper Limited and QSuper Asset Management Pty Ltd have been appointed as some of our investment managers. We regularly review our investment managers to make sure they best fit our overall investment principles. Managers change from time to time.

<sup>1</sup> The Merger Proposal Board Steering Committee held its inaugural meeting on 26 November 2019.

## Manager arrangements as at 30 June 2020

Asset sector	Manager
<b>Cash</b>	QIC Ltd
	QSuper Limited
	QSuper Asset Management Pty Ltd
	State Street Global Advisors, Australia Ltd
<b>Fixed interest</b>	Blackrock Advisors (UK) Limited
	JPMorgan Asset Management (Australia) Limited
	QIC Ltd
	QSuper Asset Management Pty Ltd QSuper Limited
<b>Equities</b>	DFA Australia Ltd
	State Street Global Advisors, Australia Ltd
	Vanguard Investments Australia Limited
<b>Real estate</b>	AEW Europe LLP
	CIM Investment Advisors, LLC
	Invesco Advisers, Inc.
	Jamestown Premier GP, L.P.
	QIC Ltd
	QSuper Asset Management Pty Ltd QSuper Limited
<b>Infrastructure</b>	Alinda Capital Partners
	GIM Advisory Services LLC
	QIC Ltd
	QSuper Asset Management Pty Ltd
	QSuper Limited
<b>Private equity</b>	Northwater Capital Management Inc Partners Group
	QIC Ltd
	QSuper Asset Management Pty Ltd
	QSuper Limited
<b>Alternatives</b>	ADM Capital
	Bridgewater Associates, LP
	Global Endowment Management, LP
	Graham Capital Management, L.P.
	Hancock Natural Resource Group Australasia Pty Limited
	Makena Capital Management LLC
	QIC Ltd
	QSuper Asset Management Pty Ltd
	QSuper Limited
<b>Commodities</b>	First Quadrant, L.P.

### Single assets valued above 5% of total funds under management

At 30 June 2020, the Fund held no single underlying asset valued at more than 5% of the Fund's total assets.

### Monitoring QSuper's investment option asset ranges

We have prescribed asset allocation ranges for our investment options. We therefore monitor these options daily to ensure any variations from the prescribed asset allocation are addressed in a timely manner. The exception is Self Invest, which sets investment limits that members are required to adhere to.

### Monitoring QSuper's external investment management agreements

QSuper Limited monitors the compliance of external managers against specific investment management agreements. Any breaches are raised with the investment manager for speedy resolution and reported in accordance with existing Board policies and the QSuper Group's incident reporting process.

# Our investment policies

## Derivatives policy

The QSuper Board uses derivative instruments as part of its overall investment strategy. Derivatives allow investors to have exposure to a particular asset without actually owning the physical asset. The value of a derivative is sourced from other assets or indices (known as the underlying asset).

Derivative transactions are financial contracts and include a wide range of investments, including forward foreign exchange contracts, futures, options, swaps, and other mixtures of these instruments.

The QSuper Board has policies and controls in place to make sure derivatives are used appropriately, in line with QSuper's overall investment strategy. Through its investment managers, the QSuper Board authorises the use of derivatives to manage exposures to specific investment markets and fluctuations in underlying market, currency, or asset specific values.

## Derivatives charge ratio

The derivatives charge ratio is the percentage of total market value of the assets of QSuper (other than cash) that the QSuper Board has charged as security for derivative instruments made by the QSuper Board. The derivatives charge ratio didn't exceed 5% of QSuper's assets at any time during the 2019-20 financial year.

## In-house asset policy

The *Superannuation Industry (Supervision) Act 1993* details the in-house asset rules that are designed to make sure investments set aside to provide for members' retirement incomes aren't dependent on the success of the business activities of an employer, or other related party. These in-house assets can't exceed 5% of total assets. During the 2019-20 financial year, QSuper didn't have more than 5% in-house assets at any time.

## Defined Benefit accounts (closed fund)

### About these accounts

QSuper's Defined Benefit accounts are calculated using a formula based on a member's years of service and salary, and may also depend on the level of contributions a member may choose to make. Both members and employers make contributions. Employer contributions go into a pool of funds held by Queensland Treasury Corporation on behalf of the Queensland Government and member contributions go into a pool held in the Fund. Money is drawn from the relevant pools to pay the benefits of all Defined Benefit accounts.

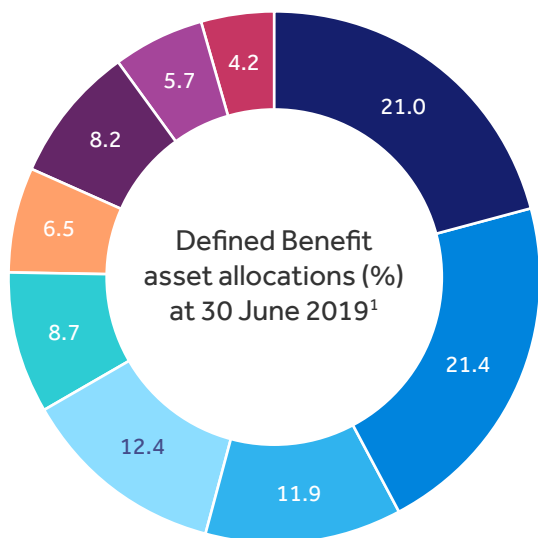
The amount an employer is required to contribute is calculated based on an actuarial formula. The QSuper Board, and the Queensland Government as the employer sponsor of the Fund, invest the member and employer contributions to make sure there are sufficient funds to pay all Defined Benefit account benefits as needed.

Details of the Defined Benefit investment strategy and objective are included in the graphs on the next page. As the calculation of a defined benefit is formula based, it is not directly affected by investment returns. QSuper has several Defined Benefit-style accounts – Defined Benefit, State, Police and Parliamentary – all of which are closed to new members.

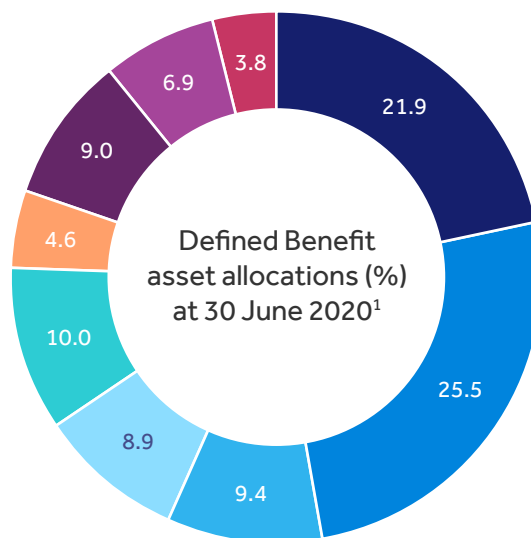
### Investment objective

The investment objective for both the Queensland Government and QSuper Defined Benefit pools is to ensure that there are sufficient funds to pay all members' Defined Benefit entitlements when needed. The asset allocations and investment ranges (included in the table on the next page) aim to meet this objective.





● Global equities	21.0%
● Fixed income	21.4%
● Cash	11.9%
● Real estate	12.4%
● Infrastructure	8.7%
● Illiquid alternatives (run-down)	6.5%
● Private equity	8.2%
● Insurance	5.7%
● Liquid alternatives	4.2%



● Global equities	21.9% ▲
● Fixed income	25.5% ▲
● Cash	9.4% ▼
● Real estate	8.9% ▼
● Infrastructure	10.0% ▲
● Illiquid alternatives (run-down)	4.6% ▼
● Private equity	9.0% ▲
● Insurance	6.9% ▲
● Liquid alternatives	3.8% ▼

The annual crediting rate for the member portion of a Defined Benefit member's benefit is set by the QSuper Board. This can be positive or negative and is included on each member's annual statement. This crediting rate does not affect a member's overall entitlements.

#### Asset allocation ranges (%) from 30 June 2020

Global equities	10-35
Fixed income	10-45
Cash	0-20
Real estate	0-12
Infrastructure	0-12
Illiquid alternatives (run-down)	0-12
Private equities	0-10
Insurance	0-10
Liquid alternatives	3-15

<sup>1</sup> Figures have been rounded for member reporting purposes.

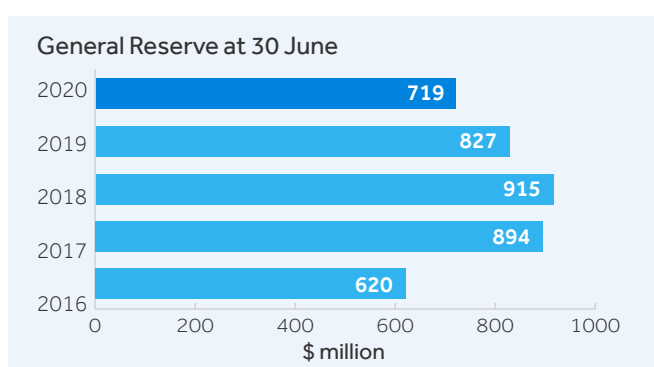
# Our reserves

## General Reserve

QSuper maintains a General Reserve to ensure there are sufficient funds to meet our current and future liabilities for administration costs, strategic initiatives and operational risk.

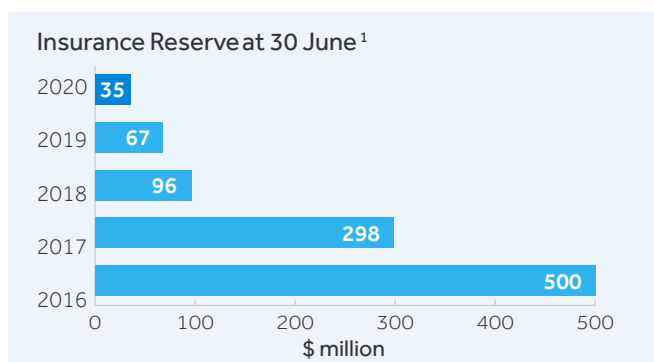
The General Reserve is funded through the administration fee, which is deducted from all accounts administered, and the investment revenue earned on the General Reserve.

At 30 June 2020, the investment strategy for the General Reserve is to invest 100% in the Balanced investment option. This is the strategy for funds other than investments in Service Providers (\$239m).



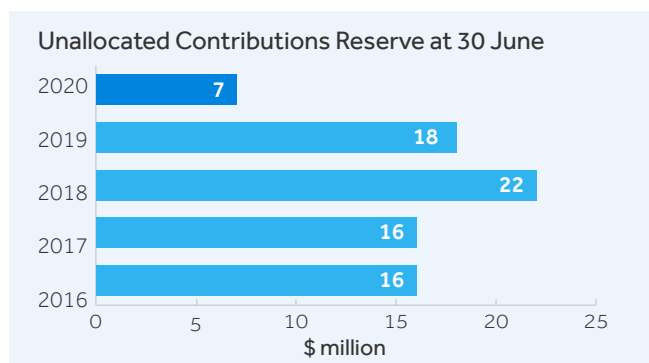
## Insurance Reserve

The QSuper Board stopped self-insuring its members from 1 July 2016. There remains a liability for projected future claims that are covered under the insurance arrangements in place prior to 1 July 2016. The Insurance Reserve continues to hold insurance premiums previously deducted from members' Accumulation accounts for self-insurance cover, so the QSuper Board can meet its ongoing self-insurance obligations. An actuarial review of the self-insurance arrangements is completed annually to make sure the reserve can meet expected liabilities. The Insurance Reserve operates under a policy approved by the QSuper Board. The QSuper Group Management monitors and reviews the Insurance Reserve monthly. The Insurance Reserve is currently invested in the Cash investment option.



## Unallocated Contributions Reserve

The QSuper Board has an Unallocated Contributions Reserve to bear the risk of any movement in investment earnings during the contribution allocation process. The Unallocated Contributions Reserve is currently invested in the Balanced investment option.



## Operational Risk Financial Requirement Reserve

The purpose of the Operational Risk Financial Requirement (ORFR) Reserve is to make sure there are sufficient funds to cover the cost of the member component of operational risk events if these ever arose. The ORFR Reserve operates under a policy approved by the QSuper Board. The QSuper Board also sets and annually reviews the investment strategy for the ORFR Reserve. The ORFR Reserve is currently invested in the Balanced investment option.



<sup>1</sup> These amounts include the assets backing the self-insurance tail claims of the QSuper Scheme reported separately on the statement of financial position in the Financial Statements.

# Fund changes for 2019-20

During the 2019-20 financial year, there were a number of regulatory and product changes.

Our members were notified about these changes and you can find more information at [qsuper.qld.gov.au/disclosure](https://qsuper.qld.gov.au/disclosure)

## Changes to Self Invest

In response to member feedback, we further expanded our exchange-traded fund (ETF) offering in our Self Invest option, available within Accumulation and Retirement Income accounts.

To provide members with more choice, we added five new ETFs to the range available on the Self Invest platform from 1 July 2019. The new ETFs are: BetaShares Australian Sustainability Leaders ETF, BetaShares Global Sustainability Leaders ETF, BetaShares NASDAQ 100 ETF, Vaneck Vectors FTSE Global Infrastructure (Hedged) ETF, and ETFS Physical Gold (unhedged).

More information about these ETFs can be found at [qsuper.qld.gov.au/selfinvest](https://qsuper.qld.gov.au/selfinvest)

## Changes to Accumulation account insurance

### From 1 July 2019:

- We implemented the Australian Government's Protecting Your Super legislation. This updated the eligibility conditions to hold insurance and when insurance automatically ceases.
- To improve future cost-price sustainability, we changed the default income protection waiting period and benefit period for most members and introduced new premium rate tables.

### From 11 March 2020:

- We changed our pandemic exclusion to no longer apply to default cover received automatically as a result of working with the Queensland Government or a default employer, or default cover applied for within 120 days of starting work with the Queensland Government or a default employer.

### From 1 April 2020:

- We implemented the Australian Government's Putting Members' Interests First legislation. This changed the eligibility criteria to receive automatic default insurance.
- We updated our Armed Forces exclusion to no longer apply to Australian Defence Force Reserves on active service for disaster relief in Australia.

## Changes to advice services

We implemented changes to our advice model to better align with the education and advice needs of our members.

### In May 2020:

- We significantly expanded the personal advice topics available to members over the phone at no additional cost, including QSuper retirement advice.
- Following the COVID-19 impact on our ability to provide face-to-face services early in 2020, we pivoted our seminars to webinars and launched a range of new webinars to address the emerging questions from our members.

## Investment changes

### From 1 July 2019:

- We changed our Sustainable Investment Policy so that investment options with exposure to listed equities (shares) no longer invest in any companies involved in the manufacture of cluster bombs and landmines.

## Helping members through COVID-19

### In March 2020:

- To help retirees minimise the impact of market volatility due to COVID-19, the Australian Government temporarily halved the minimum drawdown rates for Income accounts for the 2019-20 and 2020-21 financial years. More information can be found at [qsuper.qld.gov.au/our-products/superannuation/income-account/drawdown-rates](https://qsuper.qld.gov.au/our-products/superannuation/income-account/drawdown-rates)

### From 20 April 2020:

- Eligible citizens and permanent residents of Australia or New Zealand affected by the impacts of COVID-19 were able to apply for early access to their super of up to \$10,000 in 2019-20 and up to a further \$10,000 in 2020-21. More information can be found at [qsuper.qld.gov.au/super/early-access/coronavirus](https://qsuper.qld.gov.au/super/early-access/coronavirus)

## Product changes

### From 1 July 2019:

- Applicants aged 14 and over can now join QSuper online without a parent or guardian's signature.

### From 1 October 2019:

- We now offer death benefit income streams.

### From May 2020:

- QSuper's standard Income account will now be referred to as a Retirement Income account.



# Important information

## Contact us

Our 2020 Annual Report can be downloaded from our website at [qsuper.qld.gov.au/annualreport](https://qsuper.qld.gov.au/annualreport) or contact us on **1300 360 750** to request a copy free of charge.

## Major service providers

To help manage the Fund, we use a number of service providers.

### **QSuper Limited –**

ABN 50 125 248 286, AFSL 334546  
Central Plaza Three, 70 Eagle Street,  
Brisbane QLD 4000

### **QInvest Limited –**

ABN 35 063 511 580, AFSL 238274  
Central Plaza Two, Level 8, 66 Eagle  
Street, Brisbane QLD 4000

### **One QSuper Pty Ltd –**

ABN 90 601 938 774  
Central Plaza Three, 70 Eagle Street,  
Brisbane QLD 4000

### **QSuper Asset Management Pty Ltd –**

ABN 67 608 694 471  
Central Plaza Three, 70 Eagle Street,  
Brisbane QLD 4000

### **QInsure Limited –**

ABN 79 607 345 853, AFSL 483057  
Central Plaza Three, 70 Eagle Street,  
Brisbane QLD 4000

## Investment services

The following investment managers may provide investment services under investment management agreements to the QSuper Board as trustee for the Fund:

- QSuper Limited –  
ABN 50 125 248 286, AFSL 334546
- QIC Limited – ABN 95 942 373 762
- State Street Global Advisors,  
Australia Limited  
ABN 42 003 914 225
- DFA Australia Limited –  
ABN 46 065 937 671
- Invesco Advisers, Inc.
- Vanguard Investments Australia  
Limited – ABN 72 072 881 086
- Hancock Natural Resource  
Group Australasia Pty Limited  
– ABN 82087766587
- Hancock Natural Resources  
Group, Inc.
- AEW Europe LLP and AEW  
Europe SA
- GIM Advisory Services LLC
- Citigroup Global Markets Australia  
Pty Limited – ABN 64 003 114 832
- QSuper Asset Management Pty  
Ltd – ABN 67 608 694 471
- JPMorgan Asset Management  
(Australia) Limited –  
ACN 143 832 080

## Administrative services

- SuperChoice Services Pty Limited  
– ABN 78 109 509 739
- NTT Australia Pty Ltd –  
ABN 65 003 371 239

## Internal audit services

- PricewaterhouseCoopers (PwC) –  
ABN 52 780 433 757

## External audit services

- Deloitte – ABN 74 490 121 060

## Custodian

QSuper's custodian is responsible for holding and safeguarding financial assets on behalf of QSuper under a custodial agreement. The custodian is also responsible for keeping records in relation to our assets, thereby separating the fund managers from the physical securities.

- Appointed 2 December  
2019: The Northern Trust  
Company – ABN 62 126 279  
918, Level 47, 80 Collins Street,  
Melbourne VIC 3000
- Finished 1 December 2019:  
State Street Australia Ltd –  
ABN 21 002 965 200, Level  
14, 420 George Street,  
Sydney NSW 2000

# Financial Statements

The background features a solid blue color with two large, abstract, overlapping geometric shapes. One shape is a dark blue triangle pointing towards the bottom right, and the other is a lighter blue triangle pointing towards the top right. They meet at a sharp point in the lower-middle section of the page.

## Statement of financial position

as at 30 June 2020

<b>Assets</b>	<b>Note</b>	<b>2020 \$m</b>	<b>2019 \$m</b>
Cash and cash equivalents		13,875	3,359
Listed securities	2	27,306	27,190
Unlisted securities	2	39,143	41,494
Other interest-bearing securities	2	14,325	19,960
Derivative assets	2	1,970	330
Receivables		437	226
Investments in service providers		239	257
Employer-sponsor receivables	10	23,015	22,494
<b>Total assets</b>		<b>120,310</b>	<b>115,310</b>

<b>Liabilities</b>	<b>Note</b>	<b>2020 \$m</b>	<b>2019 \$m</b>
Payables		(1,508)	(187)
Derivative liabilities	2	(689)	(338)
Current tax liabilities	3	(217)	(113)
Deferred tax liabilities	3	(862)	(1,275)
Insurance liabilities		(35)	(67)
<b>Total liabilities excluding member benefits</b>		<b>(3,311)</b>	<b>(1,980)</b>
<b>Net assets available for member benefits</b>		<b>116,999</b>	<b>113,330</b>
Defined contribution member liabilities	10, 11	(87,453)	(83,021)
Defined Benefit member liabilities	10, 11	(28,583)	(29,234)
<b>Total member liabilities</b>		<b>(116,036)</b>	<b>(112,255)</b>
<b>Net assets</b>		<b>963</b>	<b>1,075</b>

<b>Equity</b>	<b>Note</b>	<b>2020 \$m</b>	<b>2019 \$m</b>
Reserves	4	963	1,075
<b>Total equity</b>		<b>963</b>	<b>1,075</b>

The above statement of financial position should be read in conjunction with the accompanying notes.



## Income statement

for the year ended 30 June 2020

Superannuation activities	Note	2020 \$m	2019 \$m
<b>Income</b>			
Dividends and distributions	2	6,073	5,689
Changes in fair value of investments	2	(6,946)	2,630
Interest income	2	209	274
<b>Total net income</b>		<b>(664)</b>	<b>8,593</b>
<b>Expenses</b>			
	Note	2020 \$m	2019 \$m
Direct investment expenses		(111)	(144)
Administration expenses		(212)	(198)
Financial planning expenses		(16)	(18)
Other expenses		(7)	(7)
<b>Total expenses</b>		<b>(346)</b>	<b>(367)</b>
Net result from insurance activities	6	(9)	(39)
<b>Results from superannuation activities before income tax expense</b>		<b>(1,019)</b>	<b>8,187</b>
Income tax (expense) / benefit	3	122	(583)
<b>Results from superannuation activities after income tax expense</b>		<b>(897)</b>	<b>7,604</b>
<b>Allocation of results from superannuation activities after income tax expense</b>			
Net benefits allocated to / (from) defined contribution members		231	7,061
Net change in Defined Benefit member benefits		(974)	646
Net allocation to / (from) reserves		(154)	(103)
<b>Total allocation of results from superannuation activities after income tax expense</b>		<b>(897)</b>	<b>7,604</b>

The above income statement should be read in conjunction with the accompanying notes.

## Statement of changes in member benefits

for the year ended 30 June 2020

	Notes	Defined contribution member benefits \$m	Defined Benefit member benefits \$m	Total \$m
<b>Opening balance as at 1 July 2019</b>		<b>83,021</b>	<b>29,234</b>	<b>112,255</b>
Employer contributions		3,773	1,892	5,665
Member contributions		1,495	39	1,534
Transfers from other superannuation entities		3,286	-	3,286
Income tax on contributions		(542)	(263)	(805)
<b>Net after-tax contributions</b>		<b>8,012</b>	<b>1,668</b>	<b>9,680</b>
Benefits to members		(5,297)	(225)	(5,522)
Insurance premiums charged to members' accounts		(399)	-	(399)
Death and disability amounts received for members		402	-	402
Superannuation contributions surcharge		(2)	2	-
Internal transfers	10	1,596	(1,596)	-
<b>Transfer (to) / from reserves</b>				
Net administration fees		(119)	(47)	(166)
Other		8	-	8
Net benefits allocated to defined contribution member accounts		231	-	231
Net change in member benefits to be funded by employer		-	521	521
Net change in Defined Benefit member benefits		-	(974)	(974)
<b>Closing balance as at 30 June 2020</b>		<b>87,453</b>	<b>28,583</b>	<b>116,036</b>

The above statement of changes in member benefits should be read in conjunction with the accompanying notes.

## Statement of changes in member benefits (continued)

for the year ended 30 June 2020

	Notes	Defined contribution member benefits \$m	Defined Benefit member benefits \$m	Total \$m
<b>Opening balance as at 1 July 2018</b>		<b>72,608</b>	<b>28,091</b>	<b>100,699</b>
Employer contributions		3,377	2,013	5,390
Member contributions		1,270	94	1,364
Transfers from other superannuation entities		2,360	24	2,384
Income tax on contributions		(447)	(300)	(747)
<b>Net after-tax contributions</b>		<b>6,560</b>	<b>1,831</b>	<b>8,391</b>
Benefits to members		(4,880)	(263)	(5,143)
Insurance premiums charged to members' accounts		(434)	(3)	(437)
Death and disability amounts received for members		346	-	346
Superannuation contributions surcharge		(2)	1	(1)
Internal transfers	10	1,866	(1,866)	-
<b>Transfer (to) / from reserves</b>				
Net administration fees		(111)	(49)	(160)
Other		7	-	7
Net benefits allocated to DC member accounts		7,061	-	7,061
Net change in member benefits to be funded by employer		-	846	846
Net change in Defined Benefit member benefits		-	646	646
<b>Closing balance as at 30 June 2019</b>		<b>83,021</b>	<b>29,234</b>	<b>112,255</b>

The above statement of changes in member benefits should be read in conjunction with the accompanying notes.



## Statement of changes in reserves

for the year ended 30 June 2020

	Note	General Reserve \$m	Unallocated Contribution Reserve \$m	Insurance Reserve \$m	Operational Risk Financial Requirement Reserve \$m	Total Reserves \$m
<b>Opening balance as at 1 July 2019</b>		<b>827</b>	<b>18</b>	<b>-</b>	<b>230</b>	<b>1,075</b>
Net administration fees from members		166	-	-	-	166
Other transfer (to) / from members		(4)	(4)	-	-	(8)
Reserves transfer		(3)	(9)	-	12	-
Insurance premium margin	6	(116)	-	-	-	(116)
Allocation of net result from superannuation activities after income tax expense		(151)	2	-	(5)	(154)
<b>Closing balance as at 30 June 2020</b>		<b>719</b>	<b>7</b>	<b>-</b>	<b>237</b>	<b>963</b>

	Note	General Reserve \$m	Unallocated Contribution Reserve \$m	Insurance Reserve \$m	Operational Risk Financial Requirement Reserve \$m	Total Reserves \$m
<b>Opening balance as at 1 July 2018</b>		<b>914</b>	<b>22</b>	<b>-</b>	<b>201</b>	<b>1,137</b>
Net administration fees from members		160	-	-	-	160
Other transfer (to) / from members		3	(6)	-	(3)	(6)
Reserves transfer		(42)	-	32	10	-
Insurance premium margin	6	(113)	-	-	-	(113)
Allocation of results from superannuation activities after income tax expense		(95)	2	(32)	22	(103)
<b>Closing balance as at 30 June 2019</b>		<b>827</b>	<b>18</b>	<b>-</b>	<b>230</b>	<b>1,075</b>

The above statement of changes in reserves should be read in conjunction with the accompanying notes.

## Statement of cash flows

for the year ended 30 June 2020

		2020 \$m	2019 \$m
<b>Cash flows from operating activities</b>	<b>Note</b>		
Interest received		242	267
Insurance claims received		402	345
Dividends and trust distributions received		6,080	5,440
Other revenue		6	9
Insurance premiums paid		(514)	(551)
Investment expenses		(93)	(151)
Other general administration expenses		(340)	(225)
Income tax paid		(995)	(821)
<b>Net inflow of cash from operating activities</b>	<b>5</b>	<b>4,788</b>	<b>4,313</b>
<b>Cash flows from investing activities</b>	<b>Note</b>	<b>2020 \$m</b>	<b>2019 \$m</b>
Purchase of investments		(83,143)	(25,307)
Proceeds from sale of investments		83,991	16,852
<b>Net outflow of cash from investing activities</b>		<b>848</b>	<b>(8,455)</b>
<b>Cash flows from financing activities</b>	<b>Note</b>	<b>2020 \$m</b>	<b>2019 \$m</b>
Employer contributions received		5,665	5,390
Member contributions received		1,534	1,364
Transfers from other superannuation funds		3,286	2,384
Benefits paid		(5,560)	(5,202)
<b>Net inflow of cash from financing activities</b>		<b>4,925</b>	<b>3,936</b>
<b>Net increase / (decrease) in cash held</b>		<b>10,561</b>	<b>(206)</b>
<b>Cash at the beginning of the financial year</b>		<b>3,359</b>	<b>3,568</b>
Effects of FX rate changes on cash and cash equivalents		(45)	(3)
<b>Cash at the end of the financial year</b>		<b>13,875</b>	<b>3,359</b>

The above statement of cash flows should be read in conjunction with the accompanying notes.

# Notes to the financial statements

for the year ended 30 June 2020

## Note 1 General information

This section outlines the basis on which the financial statements have been prepared and provides an assessment on new accounting standards that impact the financial statement disclosure. This section also outlines significant events and transactions that occurred during and subsequent to the year end.

### Operation of QSuper

QSuper was established pursuant to the *Superannuation (State Public Sector) Act 1990* to provide benefits for current and former employees of Queensland Government entities, such as departments, statutory bodies, and government-owned enterprises and their spouses.

On 1 July 2017, QSuper became a public offer fund and as such has welcomed new members to join. QSuper consists of Defined Benefit, Accumulation, and Income accounts.

The Defined Benefit account was closed to new members from 12 November 2008. Current members with a Defined Benefit account are able to maintain their existing benefits until they decide to retire, transfer to an Accumulation account or leave their current employment. Defined Benefit account members who transfer between eligible QSuper employers and have a break in service of less than one month are permitted to continue contributing to their Defined Benefit account.

During the financial year, superannuation administration was undertaken by QSuper using services from QSuper Limited (QSL), QInvest Limited (QIL), One QSuper Pty Ltd (OneQ), QSuper Asset Management Pty Ltd (QAM), QSuper Board (Board) and QInsure Limited (QInsure).

The registered office of QSuper is 70 Eagle Street, Brisbane QLD 4000.

### Statement of compliance

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Interpretations, the *Superannuation Industry (Supervision) Act 1993* (Cth), and provisions of the *Superannuation (State Public Sector) Deed 1990* (Qld).

The financial report of QSuper for the year ended 30 June 2020 was authorised for issue in accordance with a resolution of the Trustees on the same date as the signing of the Trustees' Report.

The financial statements have been prepared on the basis required by AASB 1056 *Superannuation Entities*, which provides specific measurement requirements for assets and liabilities. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

Valuations of investments are measured in accordance with AASB 1056 at fair value.

The financial statements are presented in Australian dollars, which is the functional currency of QSuper.



## Going Concern

The financial report has been prepared on a going concern basis, which contemplates the continuation of normal business operations and the realisation of assets and settlement of liabilities in the normal course of business. In making this assessment, the Board has considered future events and conditions for the period of 12 months following the approval of these financial statements, including the impact of the outbreak of COVID-19 which was declared by the World Health Organisation as a global pandemic on 11 March 2020. Whilst the situation remains uncertain, the Board remains confident that QSuper will be able to continue as a going concern as the Fund's assets significantly outweigh its liabilities and it has sufficient liquidity to meet its debts as and when they fall due.

### New standards and interpretations adopted during the year

In the current year the Group has applied AASB 16 Leases, which is effective for financial years beginning on or after 1 January 2019.

AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. The application of AASB 16 will result in changes to the accounting treatment of certain leasing contracts. Unless an exception applies, at the commencement date of a lease, a lessee recognises a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees are required to separately recognise the interest expense in respect of the lease liability and the depreciation expense relating to the right-of-use asset.

### AASB Interpretation 23 – Uncertainty over Income Tax Treatments

QSuper has adopted AASB Interpretation 23 for the first time in the current year. IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments.

The interpretation requires QSuper to:

- determine whether uncertain tax positions are assessed separately or as a group; and
- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by the Fund in its income tax filings.

QSuper determines its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.

There are no other standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2019 that have a material impact on the amounts recognised in the prior or current periods or that will affect future periods.

### Standards and interpretations in issue not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2020 reporting periods and have not been adopted early by QSuper. These standards are not expected to have a material impact on the entity in future reporting periods or on foreseeable future transactions.

AASB 17 *Insurance Contracts and Associated Interpretations* includes specific requirements for presenting insurance-related balances in the financial statements. In addition, the Standard will require extensive new disclosures showing how the components of recognised amounts have moved during the period.

QSuper's wholly owned subsidiary QInsure will be impacted by the Standard and it is expected to change profit emergence patterns, and add complexity to valuation processes, data requirements, assumption setting processes and the requirements for analysing and communicating results. QInsure has commenced preliminary steps towards implementation of the standard and is currently undertaking an assessment of the impacts due to the change to accounting policies.

### AASB 2019 – 1 Amendment to Australian Accounting Standards – References to the Conceptual Framework

The AASB's revised Conceptual Framework for Financial Reporting updates a number of definitions and guidance, introduces new guidance on a number of topics including the reporting entity and presentation and disclosure, and clarifies a number of other matters. The potential effect of the Amending Standard, and the Conceptual Framework for Financial Reporting to which it refers, on the Group's financial statements has not yet been determined.

### Significant accounting policies

The significant accounting policies have been set out within the relevant note in these financial statements. The policies have been consistently applied to all periods presented in these financial statements.

### Rounding

In accordance with ASIC Corporations (*Rounding in Financial/ Directors' Reports*) Instrument 2016/191 dated 24 March 2016, all financial information presented has been rounded to the nearest one million dollars unless otherwise stated.

### Significant accounting judgements, estimates, and assumptions

Estimates and underlying assumptions are reviewed on an ongoing basis and are based on experience and other factors believed to be reasonable in the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the notes to the financial statements.

### Comparatives

Certain reclassifications have been made to the prior year's financial statements to enhance comparability with the current year's financial statements. As a result, certain line items in the notes to the financial statements have been amended. Comparative figures have been adjusted to conform to the current year's presentation.

### Consolidation

Entities that meet the definition of an investment entity within AASB 10 *Consolidated Financial Statements* are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. QSuper meets the definition of an investment entity and accordingly accounts for controlled entities in this way.

An exception to this treatment is where the main purpose and activities of the subsidiary are to provide investment-related services or activities that relate to the investment entity's investment activities. These types of services include investment advisory services, investment management, investment support and administrative services.

Given that the main purpose of QSL and its subsidiaries is to deliver member retirement outcomes through the provision of administration, financial planning, investment management and insurance services, QSL is required to be consolidated.

However, the net assets of QSL are not material to the users of QSuper's financial statements as a whole, and as a result, the net assets have been recognised in one line (investment in service providers) within the financial statements.

### Auditor's remuneration

Other regulatory and assurance services	2020 \$'000	2019 \$'000
Audit of financial reports	305	296
Other regulatory assurance and non-audit services	136	103
Fees for audit and assurance services paid by QSL and its wholly-owned entities	1,037	705
<b>Total auditor remuneration</b>	<b>1,478</b>	<b>1,104</b>

### Actuarial remuneration

Queensland State Actuary	2020 \$'000	2019 \$'000
Actuarial services	408	396
<b>Total actuarial remuneration</b>	<b>408</b>	<b>396</b>

### Commitments, contingent assets, and contingent liabilities

QSuper has unfunded commitments with investment managers to the value of \$2,809m as at 30 June 2020 (2019: \$2,017m). In addition, QSuper has an unfunded commitment with QSL as at 30 June 2020 to provide additional capital of up to \$150m (2019: nil) to support the operations and ongoing regulatory capital requirements of QInsure.

There are no other material commitments, contingent assets or contingent liabilities as at 30 June 2020.

### COVID-19

The novel coronavirus outbreak discovered in China in December 2019 (COVID-19) has had a significant impact on the global economy during the year ended 30 June 2020 and has resulted in increased uncertainty and volatility in investment markets. As a large institutional global investor, QSuper has well established policies to specifically address the risks associated with significant external market events such as the COVID-19 pandemic and these have been applied consistently throughout the year ended 30 June 2020. Accordingly, there have been no changes to accounting policies required as a result of the COVID-19 pandemic nor have there been changes to the basis on which these general purpose financial reports have been prepared. However additional sensitivity analysis has been provided in Note 2 Investments and Derivatives and Note 9 Financial Instruments.

The Fund's response and management plans to the pandemic have focussed on

- ensuring the well-being of the staff of OneQ, including the implementation of work from home practices, utilisation of digital technologies for collaboration and meetings, elimination of non-essential travel, and restriction of access to our office premises;

- reviewing the operations of the Fund and its subsidiaries to ensure key service providers are able to continue to provide services without significant interruption;
- monitoring the volatility of domestic and international investment markets to ensure the Fund's investment strategy is appropriate to maximise Member returns; and
- reviewing the cost base of the Fund and its subsidiaries and identifying where cost reductions may be implemented to address a higher than expected reduction in Funds Under Management.

### Subsequent events

The COVID-19 pandemic has created unprecedented uncertainty. Actual economic events and conditions in the future may materially differ from those estimated by the Fund at the reporting date. In the event that COVID-19 impacts are more severe or prolonged than anticipated, the future fair value of QSuper's investments may be adversely impacted. The Board has assessed the events subsequent to year end up to the date of signing these financial statements and determined that no adjustments or additional disclosures are required.

## Note 2 Investments and derivatives

QSuper maintains investments for the long-term purpose of providing benefits for members upon their retirement, reaching a specified age, death, or termination of employment.

Investments of QSuper, including derivatives, are managed by selected investment managers, QSL and QAM's investment team on behalf of the Board. The Board determines the overall investment objectives and strategy of QSuper.

QSuper contracts investment managers in various asset classes, sectors, management styles, strategies and geographies under investment mandates (hereafter referred to as mandates). QSuper's expectations of its managers are documented in the mandates agreed between the parties. Specific reporting and valuation requirements are included within the contracts to ensure sufficient information and transparency is provided for ongoing monitoring.

### Initial recognition

Investments of QSuper are initially recognised at fair value through profit or loss (FVTPL) in accordance with AASB 1056. Transaction costs for financial assets carried at FVTPL are expensed in the income statement. QSuper recognises financial assets on the date it becomes party to the contractual agreement (trade date).

### Subsequent measurement of investments

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in the income statement. Investments are derecognised when the rights to receive cash flows from the investments have expired or QSuper has substantially transferred all of the risks and rewards of ownership.

### Fair value hierarchy

The fair value of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or broker quotations. For all other financial instruments, the Trustee determines the fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective and requires varying degrees of judgement depending on liquidity, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. This includes consideration of the impact of the risks associated with the COVID-19 pandemic on the fair value of financial assets and liabilities on the investments of QSuper.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- **Level 1** – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2** – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- **Level 3** – Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This category includes all instruments for which the valuation technique includes inputs not based on observable data and whose unobservable inputs have a significant effect on the instrument's valuation.

The next table analyses financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorised.

	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
<b>30 June 2020</b>				
<b>Listed securities</b>	27,054	252	-	27,306
<b>Other interest-bearing securities</b>				
Fixed interest bonds	-	2,963	-	2,963
Discount securities	-	11,362	-	11,362
<b>Derivative assets / liabilities</b>				
Futures	13	-	-	13
Swaps	-	32	-	32
Forward foreign exchange contracts	-	1,236	-	1,236
<b>Unlisted securities</b>				
Infrastructure	-	-	9,425	9,425
Real estate	-	-	5,842	5,842
Private equity	-	-	4,993	4,993
Alternatives	-	2,603	-	2,603
Cash and fixed interest	-	16,280	-	16,280
<b>Total</b>	<b>27,067</b>	<b>34,728</b>	<b>20,260</b>	<b>82,055</b>
	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
<b>30 June 2019</b>				
<b>Listed securities</b>	26,889	301	-	27,190
<b>Other interest-bearing securities</b>				
Fixed interest bonds	-	9,274	-	9,274
Discount securities	-	10,686	-	10,686
<b>Derivative assets / liabilities</b>				
Futures	(4)	-	-	(4)
Swaps	-	67	-	67
Forward foreign exchange contracts	-	(71)	-	(71)
<b>Unlisted securities</b>				
Infrastructure	-	-	10,974	10,974
Real estate	-	-	5,981	5,981
Private equity	-	-	4,438	4,438
Alternatives	-	4,848	-	4,848
Cash and fixed interest	-	15,253	-	15,253
<b>Total</b>	<b>26,885</b>	<b>40,358</b>	<b>21,393</b>	<b>88,636</b>

Investments not included in the above tables are cash, short term deposits and margin accounts totalling \$13,875m (2019: \$3,359m). These investments and the investments illustrated in the fair value hierarchy table equate to the total investments as at 30 June 2020 of \$95,930m (2019: \$91,995m) including derivative liabilities of \$689m (2019: \$338m) and excluding investments in service providers.



## Reconciliation of Level 3 fair value measurements of financial assets

The following table shows a reconciliation of the movement in the fair value of financial instruments categorised in Level 3 between the beginning and end of the reporting period.

	2020 \$m	2019 \$m
<b>Opening balance</b>	<b>21,393</b>	<b>18,908</b>
<b>Total gains or losses:</b>		
In income statement	(2,314)	837
Purchases	1,315	1,255
Redemptions / disposal	(134)	-
Transfers into Level 3	-	393
Transfers out to Level 2	-	-
Transfers out to Level 1	-	-
<b>Closing balance</b>	<b>20,260</b>	<b>21,393</b>

Of the total gains or losses for the period included in the income statement, losses of \$2,214m (2019: \$831m) relate to unlisted unit trusts held at the end of the reporting period. Fair value gains or losses on investment are included in 'Changes in fair value of investments'.

The table below sets out information about significant unobservable inputs used at year end in measuring financial instruments categorised as Level 3 in the fair value hierarchy.

Type	Fair value \$m	Valuation methodology	Inter-relationship between key unobservable inputs and fair value measurement
Unlisted securities	20,260	Underlying assets are valued based on projected cashflows and discount rates, or using EBITDA multiples.	An increase in the value of the underlying investments of the unit trusts will result in higher fair values. Reductions would result in lower fair values.

## Recognition and measurement

Revenue is recognised to the extent that it is probable that the economic benefits will flow to QSuper and that revenue can be reliably measured. The specific recognition criteria must also be met before revenue is recognised.

## Changes in fair value of investments

Changes in fair value of investments are recognised as revenue and are determined as the difference between the fair value at year end or consideration received (if sold during the year) and the fair value as at the prior year end or cost (if the investment was acquired during the period). Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in the income statement.

## Other significant revenue streams

### Interest revenue

Revenue on money market and fixed interest securities is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. If interest is not received at the reporting date, it is reflected as a receivable in the statement of financial position.

### Dividend revenue

Revenue from dividends is recognised on the date the shares are quoted ex-dividend when QSuper's right to receive payment is established and if not received at balance sheet date, the balance is reflected as a receivable in the statement of financial position.

### Distributions from unit trusts

Distributions from unit trusts are recognised as investment income on the date when it is deemed that QSuper is presently entitled to the trust income. If distributions are not received at reporting date, it is reflected as a receivable in the statement of financial position.

## Note 3 Income tax

### (a) Major components of income tax

	2020 \$m	2019 \$m
<b>Current income tax</b>		
<b>Current income tax</b>	<b>273</b>	<b>38</b>
Adjustments in respect of current income tax of previous years	18	23
<b>Deferred income tax</b>		
Relating to origination and reversal of temporary differences in deferred tax liability	(413)	522
<b>Income tax expense / (benefit) reported in income statement</b>	<b>(122)</b>	<b>583</b>

A reconciliation between prima facie income tax expense and income tax expense as reported in the income statement before income tax, including a summary of deferred income tax is set out below:

	2020 \$m	2019 \$m
Results from superannuation activities	(1,019)	8,187
Prima facie income tax expense / (benefit) at the rate of 15%	(153)	1,228
<b>Tax effect of non-deductible expenses and non-assessable income in calculating the taxable amount:</b>		
Differences between tax and accounting net investment income	191	(51)
Notional premium for death or disability cover	(17)	(17)
Net imputation and foreign tax credits	(176)	(321)
Exempt current pension income	27	(294)
Other	6	38
<b>Income tax expense / (benefit) reported in income statement</b>	<b>(122)</b>	<b>583</b>

### (b) Deferred income tax

	2020 \$m	2019 \$m
<b>Movements in deferred tax asset</b>		
Opening balance	29	29
Change to income statement	(21)	-
<b>Closing balance at 30 June</b>	<b>8</b>	<b>29</b>
<b>Deferred tax asset comprises</b>		
Investments	6	20
Other	2	9
<b>Total deferred tax asset</b>	<b>8</b>	<b>29</b>
<b>Movements in deferred tax liability</b>		
Opening balance	(1,304)	(782)
Change to income statement	434	(522)
<b>Closing balance at 30 June</b>	<b>(870)</b>	<b>(1,304)</b>
<b>Deferred tax liability comprises</b>		
Unrealised gains in investments	(870)	(1,304)
<b>Total deferred tax liability</b>	<b>(870)</b>	<b>(1,304)</b>
<b>Net deferred tax asset / (liability)</b>	<b>(862)</b>	<b>(1,275)</b>

## Recognition and measurement

QSuper is taxed as a complying superannuation fund in accordance with the provisions of the *Income Tax Assessment Act 1936* (Cth) and *Income Tax Assessment Act 1997* (Cth).

### Current tax

Income tax on the change in net assets as a result of operations for the year comprises current and deferred tax. Income tax is recognised as an expense in the income statement.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantially enacted at the statement of financial position date and any adjustment to tax payable in respect of previous years. Current tax includes any amounts relating to penalty and interest charges that may be imposed by tax authorities.

### Deferred tax

Deferred tax is determined using the comprehensive balance sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation of the asset or settlement of the liability, using tax rates enacted or substantially enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset only when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and QSuper intends to settle its current tax assets and liabilities on a net basis.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent it is no longer probable that the related tax benefit will be realised.

#### Key estimates

Significant judgement is required in determining the provision for income taxes. There are transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain.

## Note 4 Reserves

The statement of changes in reserves outlines the detailed movements in each reserve for the year.

### Recognition and measurement

#### General Reserve

QSuper maintains a General Reserve to ensure that it can meet both current and future liabilities, including those associated with administration, strategic initiatives and operational risks pertaining to costs associated with the non-member component of operational risk events. The reserve provides the Trustee with access to funds to protect members' interests and mitigate the impact of an adverse event. Transfers in and out of the reserve are made only at the authorisation of the Trustee and in accordance with the QSuper Board-approved reserve policy.

#### Unallocated Contributions Reserve

This reserve is held to absorb investment variations which may be caused by the delay between when member funds are receipted and when the transaction is processed and allocated to the member's selected investment option.

#### Insurance Reserve

QSuper ceased self-insurance with effect from 30 June 2016 with insurance provided by QInsure from this time. Prior to this, death, total and permanent disablement (TPD) and income protection insurance benefit premiums were collected and invested in the Insurance Reserve.

Tail claims (i.e. those claims relating to events occurring before 1 July 2016) continue to be paid by QSuper and are recognised as a reduction in the insurance claims liability in the statement of financial position. No solvency margin in respect of covering adverse run off of claim liabilities incurred prior to 1 July 2016 has been estimated by the Actuary in his latest review. Consistent with the prior year, Management has determined no solvency margin will be retained for this financial year. The General Reserve provides financial support to the Insurance Reserve as required.

#### Operational Risk Financial Requirement Reserve

QSuper maintains an Operational Risk Financial Requirement Reserve (ORFR) for costs pertaining to the member component of operational risk events. The ORFR ensures QSuper has adequate financial resources to address losses arising from operational risks within its business operations, where such costs are not met by third parties, or are recoverable from third parties or insurance only at a later stage. The Board maintains a target balance of 25 basis points of funds under management.

The ORFR is implemented, managed, and maintained in accordance with the *Superannuation Industry (Supervision) Act 1993* and the requirements of APRA Prudential Standard SPS 114 – *Operational Risk Financial Requirement* (SPS 114). APRA has defined 'operational risk' as the risk of loss resulting from inadequate or failed internal processes, people, and systems, or from external events. This definition includes legal risk but excludes strategic and reputational risk.

## Note 5 Reconciliation of operating cash flows

Reconciliation of net change in cash from operating activities to operating result after income tax.

	2020 \$m	2019 \$m
Net allocation to / (from) reserves	(154)	(103)
<b>Adjustments for net change in non-operating activities:</b>		
Assets measured in fair value	6,946	(2,874)
Receivables	(21)	(11)
Payables	(18)	7
Insurance liabilities	(32)	(29)
Income tax payable	(1,114)	(238)
Self-insurance claims included in benefits	32	61
Reserves	(115)	(113)
Member benefits	(736)	7,613
<b>Net inflow of cash from operating activities</b>	<b>4,788</b>	<b>4,313</b>

Cash comprises cash on hand and deposits at call. Cash equivalents are short-term, highly liquid investments with original maturities of three months or less. Cash equivalents must be readily convertible to known amounts of cash and subject to an insignificant risk of changes in value. Cash and cash equivalents are carried at face value or the gross value of the outstanding balance.

## Note 6 Insurance arrangements

### QInsure Limited

QInsure is a life insurer registered by APRA and holds an Australian Financial Services Licence (licence number 483057). It is a wholly-owned subsidiary of QSL that provides for group lump sum (death and TPD) and group disability (income protection) insurance policies to QSuper. Insurance premiums are deducted from member accounts and paid to QInsure.

QSuper holds a participating life insurance policy with QInsure and pays a premium margin to share in operating profits. Under this policy, the operating profit arising from the participating business is allocated between the shareholder and the participating policyholder and is governed by the *Life Insurance Act 1995* (Cth), QInsure's constitution, the in-force Insurance Policy and QInsure's Participating Business Management Framework.

The principles of allocation arising from QInsure profits are as follows:

- i) Investment income on retained earnings in respect of participating business is allocated 80% to the policyholder and 20% to the shareholder.
- ii) Other profits arising from participating business are allocated 80% to the policyholder and 20% to the shareholder.
- iii) All investment income on shareholder capital and retained earnings (excluding those dealt with in (i) above) are fully allocated to the shareholder.

As at reporting date, the value of the unvested policyholder profits recorded by QInsure is \$121m (2019: \$99m). Payment of this amount requires approval from the Board of QInsure and any such payment would be recognised as income by QSuper once declared by the Board of QInsure.



A summary of key operating results and balances from QInsure for the year ended 30 June 2020 are as follows:

	2020 \$m	2019 \$m
<b>Statement of profit or loss and other comprehensive income</b>		
Premium revenue	521	552
Claims expense	(393)	(341)
Outwards reinsurance expense	(64)	(66)
Reinsurance recoveries	60	53
Net result from insurance activities after-tax	7	6
<b>Statement of financial position</b>		
Total assets	1,045	989
Gross policy liabilities	(665)	(638)
Net assets	224	217

Actuarial assumptions, judgements, and estimates used in calculating policy liabilities of QInsure:

Key assumption	Details and process used to select assumption	Range of values
Discount rates	Discount rates are based on a risk free yield curve derived from the Australian Commonwealth Government bond market yields as at the valuation date.	The average effective discount rates adopted were 0.19% to 2.66% (2019: 0.86% to 2.59% per annum)
Incurred but not reported (IBNR) assumptions	Allowance was made for inherent delays in reporting claims based on investigations into the historic QSuper experience (as self-insurer) and QInsure results since commencement of operations. The IBNR is determined using the Bornhuetter-Ferguson method, a widely used actuarial loss reserving technique.	The overall loss ratios were between 53% and 109% (2019: 55% and 90%)  The average claims reporting delays were between 1.4 months and 23.4 months (2019: 1.2 months and 23.8 months)
Claim termination	Relates to the duration of income protection claims.  Rates are based on FSC-KPMG 2007 – 2011 industry standard tables. Claim termination rates are adjusted to reflect historic QSuper experience (as self-insurer) and QInsure's experience since the commencement of operations.	Refer to the FSC-KPMG 2007 – 2011 industry standard tables for values adopted. The range of factors extend from 33% to 233% (2019: 43% to 433%)
Claims expense	Claims expense assumptions for outstanding claims are set based on the expected cost of administering claims over the next year.	
Inflation	The outstanding income protection claims are assumed to increase each year in line with inflation. The inflation is based on the Brisbane "All Groups Consumer Price Index" for the period 1 July 2019 to 30 June 2020.	The inflation rate assumed was 1.7% (2019: 1.7%)

## Self-insurance

Prior to the incorporation of QInsure and the commencement of the group life insurance policy, QSuper had self-insurance arrangements in place for government employees for the provision of life, TPD and income protection insurance where premiums were collected and invested in an Insurance Reserve under a 'principal' arrangement. In addition, non-government employees were covered by an external insurance policy held by the QSuper Board.

The liability for self-insurance claims incurred before 1 July 2016 was not transferred to QInsure. Tail claims continue to be paid by QSuper and are recognised as a reduction in the insurance claims liability recognised on the statement of financial position.

A summary of net results from self-insurance activities is as follows:

	2020 \$m	2019 \$m
Insurance contract revenue	-	(1)
<b>Net premium revenue</b>	<b>-</b>	<b>(1)</b>
Claims paid	(32)	(61)
Movement in insurance liabilities	32	29
<b>Net incurred claims</b>	<b>-</b>	<b>(32)</b>
<b>Insurance result</b>	<b>-</b>	<b>(33)</b>
Policy maintenance expense	(9)	(6)
<b>Net loss from insurance activities</b>	<b>(9)</b>	<b>(39)</b>

## Note 7 Key management personnel

### Trustees and key management personnel

Members of the QSuper Board at any time during or since the end of the financial year are:

Name	Date commenced / (ceased) as Trustee
Mr Don Luke (Chair)	January 2020
Mr Karl Morris (Chair)	December 2013 / (December 2019)
Mr Walter Ivessa	June 2009
Mrs Elizabeth (Beth) Ruth Mohle	December 2013
Mr Shayne Robert Maxwell	June 2018
Ms Mary-Anne Curtis	July 2018
Ms Kate Ruttiman	December 2018
Ms Sandra McCullagh	February 2019
Professor Michael Drew	January 2020
Mr Bruce Cowley	December 2019
Mrs Ruth Ethel Elizabeth McFarlane	December 2013 / (November 2019)
Dr Stephen Paul Christie	December 2014 / (December 2019)

### Fund secretary

Name	Date commenced in role
Mr Trevor Golden	July 2011

QSuper has a 100% ownership interest in QSL. The QSuper Group provides member support and advice, procurement, staffing, and investment services to QSuper. The following people had authority for planning, directing, and controlling the activities of QSuper Group entities:

Name	Role	Date commenced / (ceased) in a Chief role
Mr Michael Pennisi	Group Chief Executive Officer	23 October 2015
Mr Kulwant Singh-Pangly	Chief Financial Officer	1 October 2014 / (24 December 2019)
Ms Anne Finney	Chief Risk Officer	24 February 2016
Ms Kim Hughes	Chief of QInvest (previously Chief of Member Support and Advice)	30 April 2018
Mr Brad Holzberger	Chief Investment Officer	11 March 2009 / (1 September 2019)
Mr Charles Woodhouse	Chief Investment Officer	2 September 2019
Mr Paul Landy	Chief of People & Transformation	15 December 2010
Ms Karin Muller	Chief Operating Officer (previously Chief of Information Technology)	26 April 2016
Mr Jason Murray	Chief of Member Experience	10 April 2017
Mr Philip Fraser	CEO of QInsure	24 September 2018
Mr John Seccombe	Chief Financial Officer – Acting	25 December 2019

## Remuneration policy

QSuper's remuneration policy is reviewed at least every three years.

## Remuneration governance

The Group's People & Nominations Committee operates as the Group Remuneration Committee. This Committee receives industry benchmarking and external advice independent from management. This includes annual benchmarking against the Financial Industry Remuneration Group (FIRG) database, according to relevant competitive markets and organisations of similar financial and asset size.

The Committee recommends decisions on performance-based pay to the Board. The Board retains absolute discretion to reduce all variable payments downwards to zero at any time prior to payment.

## Trustee remuneration

The QSuper Board is comprised of nine Trustees, including equal employer and member representation, as well as one additional independent Board member.

The Board is remunerated in accordance with rates approved by the Treasurer, as Minister, in consultation with the Board. This remuneration represents an all-inclusive fee encompassing all QSuper Board related activities (including Committee memberships and QSL and QIL Directorships). Board members who are also employees of the Queensland Government are not remunerated for their trustee duties. Board remuneration is paid by QSuper Board who then charge QSuper a trustee fee.

## Executive remuneration

Executives are employed under individual employment contracts. Executives are required to provide between two and six months' notice of their intention to terminate their employment contract. Executive remuneration is market competitive and paid under salary package arrangements which include an appropriate mix of fixed and variable performance payments, explicitly linked to performance, behaviours and risk management.

- **Fixed remuneration** is calculated on a total cost basis, including the cost of employee benefits, superannuation, vehicles and car parking, plus any applicable fringe benefits tax. External benchmarking is undertaken which targets the market median within the financial services sector.
- Specific **variable remuneration** is focused on senior employees who are critical to the continuing success of QSuper.

## Performance linkages

Both fixed and variable remuneration is market competitive and explicitly linked to performance, behaviours and risk management. All QSuper executive remuneration outcomes appropriately reflect QSuper's Corporate, Divisional and Individual performance outcomes and behaviours:

- Fixed remuneration is reviewed on an annual basis taking into account the size, complexity, and responsibilities of the role, individual performance, skills, and experience.
- Short-term incentives (STI) are based on annual performance against a balanced scorecard of appropriate performance measures and individual performance measures, including risk management and member metrics.

## Short-term incentives (STI)

QSuper has two short-term cash incentive schemes relevant to executives who have been employed by QSuper for more than three months of the financial year; one for investment staff and the other applicable to corporate employees.

## Investment STI

### (Chief Investment Officer (CIO) only)

The performance conditions in the investment scheme are designed to reward investment performance against long-term absolute investment return targets and thresholds, which are set by the Board within approved risk tolerances.

## Corporate STI

### (all executives excluding the CIO)

The Corporate STI scheme is based on a balanced scorecard across four categories, including:

- People perspective
- Customer perspective
- Internal Business perspective (including risk)
- Financial perspective

Specific performance measures and stretch targets aligned to QSuper's strategic goals are set by the Board at the commencement of each financial year. Examples of specific performance measures include member financial wellbeing, investment performance, managing operating costs, stakeholder satisfaction, risk culture and the engagement of the QSuper workforce.

Each of the performance measures within the balanced scorecard operate within defined risk management parameters to align with members' interests. The overall balanced scorecard performance directly influences STI payments.

STI deferral mechanisms for the Group Chief Executive Officer (Group CEO) and all Chief Officers (excluding the CIO) are in place aligning executive reward with the interest of members, managing retention and continuing to encourage a long-term focus and appropriate risk management. As the time horizons of performance measured within the Investments STI plan already reflect the long-term focus, the CIO is not subject to a deferral.



## Payment outcomes

In addition to the balanced scorecard performance outcomes of the scheme, potential STI payments to participants of both the Investment and Corporate STI schemes are determined by the Board based on an individual's achievement of minimum threshold performance criteria, relative to role, and agreed standards of behaviour and risk. The QSuper Group Values set the behavioural expectation that the Board believes form a foundation for successful performance.

Considering the impact of the COVID-19 pandemic to members, the community and QSuper employees, the QSuper Board decided to apply its discretion over remuneration outcomes this year.

Firstly, the QSuper Board agreed to reduce its total remuneration for the 2020/21 financial year by 20%. Executives have received a reduction of 25% on the STI payment they would have otherwise achieved by way of performance against the above outlined targets and measures. No salary increases were awarded to Executives effective 1 July 2020. Any pay changes in the cash fixed column, available in the below tables are based on changes in leave accruals or due to time in role, as well as some changes made due to increased accountabilities.

## Dual-hatting

Key management personnel (KMP) are provided to the QSuper Group including QInsure by the labour hire entity OneQ.

The relevant entity has determined the compensation of KMP in accordance with their roles within the QSuper Group. Employees are designated as "dual-hatted" where their role requires dual focus on QInsure and QSuper. The proportion allocated to QInsure is set out within a formal letter advising of percentage of remuneration to be borne by QInsure. The following key personnel have been designated as key management personnel of QInsure.

<b>Role</b>	<b>Allocation to QInsure</b>
Group Chief Executive Officer	25% <sup>1</sup>
Chief Financial Officer	25%
Chief Risk Officer	25%
Chief of People & Transformation	25%
Chief Executive Officer (QInsure)/ Chief of QInsure	75% <sup>2</sup>

<sup>1</sup> Reverts to 0% at 03 June 2020

<sup>2</sup> Reverts to 100% at 03 June 2020

## Basis for preparation

QSuper remuneration disclosures have been prepared in accordance with section 29QB (1) of the *Superannuation Industry (Supervision) Act 1993* and Regulation 2.37 of the *Superannuation Industry (Supervision) Regulations 1994*, which includes the proportion of compensation allocated to QInsure.

Remuneration disclosures for QSuper executive members who were in the role for the whole of or part of 2020 are detailed in the following table. Current year annual leave provisions are included in the cash fixed column. Remuneration comprises the total value of remuneration received or receivable by QSuper executives for their roles in QSuper and its wholly-owned subsidiaries.

## Executive remuneration<sup>1</sup>

Chief Officer	Short-term employee benefits \$			Post-employment benefit \$	Termination benefits	Other incentive amounts	Long service leave
	Cash fixed <sup>2</sup>	Non-monetary fixed	Cash STI <sup>3</sup>	Pension and superannuation			
<b>Year ended 30 June 2020</b>							
Michael Pennisi	578,731	9,681	282,729	82,658	-	(2,135) <sup>4</sup>	21,791
Kulwant Singh-Pangly	225,699	-	-	19,615	-	(1,174) <sup>4</sup>	784
Anne Finney	350,865	-	131,878	31,213	-	(969) <sup>4</sup>	20,903
Kim Hughes	307,582	-	-	28,278	-	(321) <sup>4</sup>	10,364
Brad Holzberger	164,239	-	140,182	6,731	-	-	(3,563)
Paul Landy	368,637	9,681	128,404	40,230	-	(962) <sup>4</sup>	10,941
Karin Muller	382,319	-	143,980	41,011	-	(892) <sup>4</sup>	12,567
Jason Murray	354,112	-	131,198	33,082	-	(932) <sup>4</sup>	9,175
Philip Fraser	360,913	-	106,514	32,975	-	(394) <sup>4</sup>	4,921
John Seccombe	196,004	-	73,652	16,221	-	-	7,179
Charles Woodhouse	389,085	-	322,785	36,492	-	-	21,859
<b>Year ended 30 June 2019</b>							
Michael Pennisi	557,297	10,178	307,943	90,404	-	27,348 <sup>4</sup>	25,137
Kulwant Singh-Pangly	411,939	-	171,513	25,000	-	16,097 <sup>4</sup>	26,701
Anne Finney	308,955	-	151,304	28,907	-	11,428 <sup>4</sup>	15,037
Kim Hughes	290,079	-	91,581	27,668	-	-	8,613
Brad Holzberger	544,893	-	567,255	26,138	-	-	20,905
Paul Landy	262,390	10,178	137,883	33,959	-	13,308 <sup>4</sup>	8,866
Karin Muller	333,226	-	133,542	36,104	-	13,723 <sup>4</sup>	12,411
Jason Murray	347,294	-	137,589	32,042	-	5,061 <sup>4</sup>	6,278
Philip Fraser	270,755	-	112,470	27,452	-	32,000 <sup>5</sup>	2,835

<sup>1</sup> Reporting is in line with accounting standards. <sup>2</sup> Cash fixed remuneration is the total cost of salary, including annual leave, allowances and any salary sacrificed benefits (excluding superannuation which is included in pension and superannuation amounts). In line with accounting standards this may not agree to cash physically paid in the financial year. <sup>3</sup> Accrued during the reporting period (refer to table in STI criteria section for further detail). <sup>4</sup> Unvested benefits accrued in respect of STI amounts deferred in prior years. <sup>5</sup> Performance based one-off payment.

## Board remuneration<sup>1</sup>

Remuneration disclosures for Trustees who were in the role for the whole or part of the 2020 financial year are detailed in the table below.

Trustee	Short-term employee benefits \$			Post-employment benefit \$	Termination benefits	Other, e.g. long service leave
	Cash fixed <sup>2</sup>	Non-monetary fixed	Cash STI payment <sup>3</sup>	Pension and superannuation		
<b>Year ended 30 June 2020</b>						
Don Luke (Chair) <sup>6</sup>	80,157	-	-	7,615	-	-
Karl Morris (Chair) <sup>6</sup>	81,302	-	-	-	-	-
Walter Ivessa	80,800	-	-	7,676	-	-
Elizabeth Mohle <sup>5</sup>	80,157	-	-	-	-	-
Shayne Maxwell	80,479	-	-	3,838	-	-
Mary-Anne Curtis <sup>4</sup>	-	-	-	-	-	-
Kate Ruttiman <sup>5</sup>	80,157	-	-	-	-	-
Sandra McCullagh	64,280	-	-	24,196	-	-
Professor Michael Drew <sup>6</sup>	40,079	-	-	-	-	-
Bruce Cowley <sup>6</sup>	46,861	-	-	4,452	-	-
Ruth McFarlane <sup>4,6</sup>	-	-	-	-	-	-
Stephen Christie <sup>6</sup>	40,721	-	-	3,868	-	-
<b>Year ended 30 June 2019</b>						
Karl Morris (Chair)	157,826	-	-	-	-	-
Walter Ivessa	78,817	-	-	7,488	-	-
Elizabeth Mohle <sup>5</sup>	78,817	-	-	-	-	-
Shayne Maxwell	78,817	-	-	7,488	-	-
Mary-Anne Curtis <sup>4</sup>	-	-	-	-	-	-
Kate Ruttiman <sup>5</sup>	45,977	-	-	-	-	-
Sandra McCullagh	4,092	-	-	25,783	-	-
Ruth McFarlane <sup>4</sup>	-	-	-	-	-	-
Stephen Christie	79,057	-	-	7,488	-	-
Jeffrey Backen	31,762	-	-	6,412	-	-
Bede King	24,386	-	-	15,447	-	-

**1** Reporting is in line with accounting standards. **2** Cash fixed remuneration includes Trustee fees (exclusive of GST if applicable) and any salary sacrificed benefits other than superannuation (which is included in Pension and superannuation amounts). **3** Trustees do not participate in a Short Term Incentive (STI). **4** In accordance with QSuper policy, Trustees who are active Queensland Public Sector employees are not entitled to be remunerated for their QSuper Board activities. **5** All Trustees are remunerated personally except Kate Ruttiman (Qld Teachers' Union), and Elizabeth Mohle (Qld Nurses & Midwives' Union). **6** Part-year appointment. No termination or sign on payments were made to Trustees during the financial year. Appointment terms, including remuneration rates, are in accordance with the QSuper Act and approved by the Treasurer.

## Short-term incentive scheme

The following table sets out information about the performance related short-term incentive scheme granted to Executive Committee members.

Chief Officer	Financial year the incentive relates to	Grant date	STI amount \$	STI deferral amount <sup>2</sup> \$	Financial year of STI payment	Paid	% of potential incentive paid	% of potential incentive forfeited
Michael Pennisi	2020	Sept 2020	212,047	-	2019/2020	23 Sept 2020	58%	42%
			-	70,682	2022/2023	-	-	-
	2019	Sept 2019	-	75,906	2021/2022	-	-	-
	2018	Sept 2018	-	97,276	2020/2021	23 Sept 2020	100%	0%
Kulwant Singh-Pangly (resigned FY20)	2020	Sept 2020	-	-	2019/2020	23 Sept 2020	0%	100%
			-	-	2022/2023	-	-	-
	2019	Sept 2019	-	42,277	2021/2022	-	-	-
	2018	Sept 2018	-	52,752	2020/2021	23 Sept 2020	100%	0%
Anne Finney	2020	Sept 2020	98,908	-	2019/2020	23 Sept 2020	61%	39%
			-	32,969	2022/2023	-	-	-
	2019	Sept 2019	-	37,296	2021/2022	-	-	-
	2018	Sept 2018	-	40,422	2020/2021	23 Sept 2020	100%	0%
Kim Hughes	2020	Sept 2020	-	-	2019/2020	23 Sept 2020	0%	100%
			-	-	2022/2023	-	-	-
	2019	Sept 2019	-	22,574	2021/2022	-	-	-
Charles Woodhouse <sup>1</sup>	2020	Sept 2020	322,785	-	2019/2020	23 Sept 2020	65%	35%
Paul Landy	2020	Sept 2020	96,303	-	2019/2020	23 Sept 2020	59%	41%
			-	32,101	2022/2023	-	-	-
	2019	Sept 2019	-	33,987	2021/2022	-	-	-
	2018	Sept 2018	-	44,144	2020/2021	23 Sept 2020	100%	0%
Karin Muller	2020	Sept 2020	107,985	-	2019/2020	23 Sept 2020	66%	34%
			-	35,995	2022/2023	-	-	-
	2019	Sept 2019	-	32,918	2021/2022	-	-	-
	2018	Sept 2018	-	39,100	2020/2021	23 Sept 2020	100%	0%
Jason Murray	2020	Sept 2020	98,398	-	2019/2020	23 Sept 2020	62%	38%
			-	32,799	2022/2023	-	-	-
	2019	Sept 2019	-	33,915	2021/2022	-	-	-
	2018	Sept 2018	-	41,473	2020/2021	23 Sept 2020	100%	0%
Philip Fraser	2020	Sept 2020	79,885	-	2019/2020	23 Sept 2020	49%	51%
			-	26,628	2022/2023	-	-	-
	2019	Sept 2019	-	27,723	2021/2022	-	-	-
John Seccombe	2020	Sept 2020	73,653	-	2019/2020	23 Sept 2020	74%	26%

<sup>1</sup> As the time horizons of performance measured within the Investments STI plan already reflect the long-term focus, the Chief Investment Officer is not eligible for a deferral amount. <sup>2</sup> STI represents pro-rated amount based on date commenced in role during the year. <sup>3</sup> Payment is held at risk until the end of the 2 year deferral period. The Deferral Amount will be converted into a notional number of units whose performance over the STI Deferral period will reflect the performance of the QSuper GAP Fund. The amount shown has been adjusted for any increase/(decrease) in future amounts payable attributable to this performance.



## Note 8 Related parties

### Transactions with key management personnel

Key management personnel, who are members of QSuper, contribute to QSuper on the same terms and conditions, and are entitled to the same benefits, as other members of QSuper.

QSL is appointed by the Queensland Government to provide administration services to Queensland Treasury. For the year ended 30 June 2020 it received compensation of \$0.4m (2019: \$0.4m) for providing these services. A number of QSuper Trustees are or have previously been employees of the Queensland Government.

Prior to his appointment to the QSuper Board and QSL Board of Directors on 1 December 2019, Mr Bruce Cowley was a Partner of law firm MinterEllison. QSL has paid fees for legal services provided to the Group by MinterEllison of \$0.04m during the year ending 30 June 2020 (2019: \$0.06m).

There are no other transactions between QSuper and key management personnel other than the compensation transactions disclosed above.

### Transactions between QSuper and service providers

QSuper has a 100% ownership interest in QSL. QSL provides superannuation administration, procurement and investment services to QSuper and is paid an administration fee. The administration fee incorporates all administration costs including superannuation administration, cost of running self-insurance, medical costs, strategic and change initiatives, and investment services.

During the financial year, fees paid/payable to QSL and its wholly-owned entities aggregated \$273m (2019: \$262m).

QSL owns 100% of the ordinary shares of QInsure, QIL, OneQ and QAM. QIL provides financial planning services and is paid a financial planning fee by QSuper. OneQ provides a labour hire service and is paid labour hire fees by QSuper. QAM provides investment services to QSuper. QInsure provides group lump sum (death and TPD) and group disability (income protection) insurance policies to QSuper.

During the financial year, the following fees were paid/payable or (received/receivable) from related entities:

	<b>2020</b>	<b>2019</b>
	<b>\$m</b>	<b>\$m</b>
QSL	183	174
QIL	1	4
OneQ	89	84
QAM	28	27
QInsure	(28)	(28)

Advertising and sponsorship paid by related parties during the financial year was \$8m (2019: \$7m).

## Investments in associated entities

QSL, QSuper Investment Company Pty Ltd, QSuper RE (a Luxembourg company), St Nicholas Car Park Company Ltd and The Bridges Car Park Company Ltd are wholly owned by the QSuper Board as the Trustee for QSuper.

The carrying amount of the investments in these entities approximates fair value and is recorded as an asset on the statement of financial position. A number of subsidiaries of QSL are also the trustee for the following investment trusts where QSuper is the ultimate beneficiary.

QS International Strategy Trust	QSuper Diversified Alternatives Trust
QS US Strategy Trust	QSuper Diversified Alternatives Trust No.2
QSuper Global Private Equity Trust	QS Diversified Alternatives Trust No.3
QS High Duration Bonds Trust	QSuper Long Term Risk Hedging 10 Trust
QSuper Term Deposit Trust	QSuper Long Term Risk Hedging 20 Trust
QSuper Global Real Estate Trust	QSuper US RE Trust No. 1
QSuper Global Real Estate Debt Trust	QS US Real Estate Trust No.2
QSuper Investment Company Pty Ltd	QS Global Real Estate Trust No.2
QSuper Global Infrastructure Trust	QS Diversified Infrastructure Fund No.1
QSuper Global Infrastructure Debt Trust	QSuper Australian Infrastructure Equity Trust
QSuper European Infrastructure Trust	QSuper Australian Infrastructure Equity Trust No. 2
QSuper US Infrastructure Trust	QSuper Australian Infrastructure Equity Trust No. 3
QSuper US Infrastructure Trust No.2 (Open)	QSuper Investments Trust
QSuper US Infrastructure Trust No.3	QSuper Investments Trust No.2
QS US Infrastructure Trust No.4	QSuper NZ Infrastructure Equity Trust
QS Ports Trust No.1A	QS Infrastructure Mandate No.2 Trust
QS Ports Trust No.1B	QS Infrastructure Mandate No.2A Trust
QS NZ Power Trust No.2	QS Infrastructure Mandate No.1B Trust
QS Infrastructure Mandate No.2B Trust	QSuper UK Infrastructure Trust No.1
QS Global Infrastructure Trust No.2	QS US Real Estate Trust No.4
QS Sovereign Bonds Trust	QSuper Diversified Alternatives Trust No. 4
QS US Real Estate Trust No.3	QS Australian Infrastructure Equity Trust No. 4
QS High Duration Bonds Trust No.2	

## Note 9 Financial instruments

### Overview

The investments of QSuper are managed on behalf of the Board by appointed managers. Each investment manager is required to invest the assets managed by it in accordance with the terms of a mandate. The Board or its delegate has determined that the appointment of these managers is appropriate for QSuper and is in accordance with QSuper's Investment Strategy.

The majority of investments of QSuper are held in custody on behalf of the Board by The Northern Trust Company (NT) who acts as the custodian. NT were appointed as custodian on 30 November 2020. Prior to this date, State Street Australia Limited held the majority of QSuper investments as custodian.

QSuper has investments in a variety of financial instruments, including derivatives, which expose QSuper to market risk, credit risk, and liquidity risk. The main purpose of these financial instruments is to obtain exposure to specific asset classes in accordance with investment strategies. QSuper also has various other financial instruments such as sundry receivables and payables, which arise directly from its operations; these are current in nature. Risks arising from holding financial instruments are inherent in QSuper's activities.

QSuper's activities expose it to a variety of risks, both financial and non-financial. QSuper has a Risk Management Framework in place to monitor, address and report on these risks. QSuper's Board is responsible for the Risk Management Framework and is also responsible for the oversight of its operation by management. The Risk Management Framework is approved and subject to annual review by the Board. Supporting the Risk Management Framework are the Risk Appetite Statement and the Risk Management Strategy documents.

The Risk Management Strategy outlines Material Risks, including Operational, Investment, Financial and Strategic risks.

The Board reviews and agrees on policies for managing each of these risks and may establish committees as it considers necessary or appropriate to assist it in carrying out its responsibilities.

The Board recognises that sound and prudent risk management is an integral part of its good governance practice. Risk management policies are established to identify and analyse the risks faced by QSuper, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and QSuper's activities.

The Audit & Risk Committee (ARC) assists the Board in discharging its governance and administrative responsibilities. The ARC's role encompasses reviewing the management of risk, including overseeing the material risks and ensuring

appropriate internal controls are in place to address those risks, operational investment governance, monitoring the compliance of QSuper with legislative requirements, reviewing internal and external audit findings and monitoring the implementation of audit recommendations, and reviewing financial statements.

The Investment Committee provides assistance to the Board in discharging its investment oversight in relation to QSuper. The principal duties and responsibilities of the Committee include recommending to the Board the investment objectives for QSuper and its various member investment options, recommending to the Board the investment policy for QSuper, monitoring investment performance, including the performance of investment managers, and discussing investment issues with the Board, QSuper management, and independent advisers, if and when the need arises.

A sensitivity analysis has been prepared for different market factors using reasonably possible changes in risk variables.

These variables are based on the various indices applicable to the underlying assets of the unit trusts, which have been determined by QSuper's custodian, Northern Trust (NT). QSuper has reviewed these variables and considers them appropriate for use in the sensitivity analyses, which have been performed on a before tax basis and are individually examined in the risk factors below.

### Market risk

Market risk is the risk that the fair value of financial instruments will fluctuate due to changes in market variables such as equity prices, foreign exchange rates and interest rates. Market risk is managed through ensuring that all investment activities are undertaken in accordance with established mandate limits and investment strategies. Controls for managing market risk of derivatives are embedded within QSuper's Capital Markets process as defined within its policies, guidelines and procedures.

### Valuations

The independent valuations received for some property and infrastructure investments have been reported on the basis of "significant valuation uncertainty", meaning the valuation is current at the date of valuation only. The value assessed may change significantly over a relatively short period of time. The valuers confirmed inclusion of the "significant valuation uncertainty" declaration does not mean valuations cannot be relied upon. Rather, the phrase is used in order to be clear, transparent and indicate that, in the current extraordinary circumstances, less certainty should be attached to valuations than would otherwise be the case and input assumptions may have to change materially as conditions evolve.

## Price risk

Price risk is the risk that the value of the instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual instrument, its issuer or factors affecting all instruments in the market. QSuper is exposed to price risk through listed and unlisted investments, including equity, infrastructure and real estate investments. As QSuper's financial instruments are valued at fair value, with changes in fair value recognised in the income statement, all changes in market conditions can directly affect investment revenue.

QSuper's exposure to price risk is determined by the fair value of the financial instruments. Price risk is mitigated by QSuper's diversified portfolio of investments in accordance with the investment strategy approved by the Board. The Board monitors QSuper's performance on an ongoing basis to ensure that the investment strategy is not breached.

### Sensitivity analysis

In accordance with AASB 7 *Financial Instruments: Disclosure*, the sensitivity analysis is based on historical data over the past five (5) years and reasonably possible investment return range movements by asset class during the financial year, adding an increased overlay for the impacts of COVID-19 on listed securities.

Sensitivities used	2020	2019
Listed Securities	5-30%	6-12%
Unlisted Securities - Infrastructure	11-20%	13-23%
Unlisted Securities - Real Estate	6-12%	8-16%
Unlisted Securities - Private Equity	11-20%	9-17%
Unlisted Securities - Alternatives	2-4%	2-4%

The increase / (decrease) in the market price against the investments of QSuper at 30 June would have increased / (decreased) the amount in operating result from superannuation activities by the amounts shown below. This analysis assumes that all other variables in particular, interest rates and foreign exchange rates remain constant. The analysis is performed on the same basis for 2020 whereby the assets which are applied are the non-interest bearing instruments and are not guaranteed. Asset classes are consistent with information provided internally to key management personnel.

Sensitivity of price risk and changes on net assets	% range	Low ± \$m	High ± \$m
<b>30 June 2020</b>			
Listed Securities	5-30	1,146	6,873
Unlisted Securities - Infrastructure	11-20	1,037	1,885
Unlisted Securities - Real Estate	6-12	296	591
Unlisted Securities - Private Equity	11-20	541	984
Unlisted Securities - Alternatives	2-4	52	104
<b>30 June 2019</b>			
Listed Securities	6-12	1,346	2,691
Unlisted Securities - Infrastructure	13-23	1,427	2,524
Unlisted Securities - Real Estate	8-16	388	776
Unlisted Securities - Private Equity	9-17	391	793
Unlisted Securities - Alternatives	2-4	97	194

## Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of an asset or a financial instrument will fluctuate due to changes in foreign exchange rates.

QSuper holds assets or financial instruments denominated in currencies other than the Australian Dollar (AUD) which is QSuper's functional and presentation currency. QSuper is therefore exposed to foreign exchange risk, as the value of these assets and associated future cash flows denominated in other currencies will fluctuate due to changes in exchange rates. The risk is measured using sensitivity analysis.

As part of QSuper's risk management strategy, QSuper uses derivative contracts such as forward foreign exchange contracts to manage its foreign currency exposures in line with QSuper's Investment Policy Statement (IPS). Foreign currency exposures are obtained for member options which are based on established investment objectives.

Net foreign currency exposure at 30 June 2020 was \$10,974m (2019: \$8,373m) with the largest exposure being to the US dollar.

The foreign exchange risk disclosures have been prepared on the basis of QSuper's direct investment and on a look through basis for the investments held indirectly through unit trusts.

Consequently, the disclosure of foreign exchange risk in the note represents the total net foreign exchange exposure.

#### Sensitivity analysis

An increase in the value of foreign currencies by 10% relative to the AUD would increase the net assets of QSuper by \$1,097m (30 June 2019: (\$837m), a decrease in the value of foreign currencies by 10% relative to the AUD would decrease the net assets of QSuper by \$1,097m (30 June 2019: (\$837m).

## Interest rate risk

Interest rate risk refers to the effect on the market value of or the cash flows generated from QSuper's assets and liabilities due to fluctuations in interest rates. The value of QSuper's assets is affected by short term changes in nominal and real interest rates.

QSuper has set investment allocation ranges to meet its objectives of holding a balanced portfolio, including limits on investments in interest bearing assets, which are monitored regularly. QSuper may use derivatives to hedge against unexpected increases in interest rates.

Interest rate risk disclosures have been prepared on a basis of QSuper's direct investment and on a look through basis for the investments held indirectly through unit trusts. This includes Fixed Income and Cash asset classes.

#### Sensitivity analysis

A 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates. As at 30 June 2020 a 100 basis point movement would have a \$2,388m (30 June 2019: \$2,975m) impact on the net assets of QSuper.

## Credit risk

Credit risk represents the risk that the counterparty to the financial instrument will fail to discharge an obligation and cause QSuper to incur a financial loss.

QSuper is exposed to credit risk primarily through its investments in debt securities, trading derivative products, deposits held with banks, and receivables. With respect to credit risk arising from the financial assets of QSuper, other than derivatives, QSuper's exposure to credit risk arises from default of the counterparty, with the current exposure equal to the fair value of investments as disclosed in the statement of financial position. This does not represent the maximum risk exposure that could arise in the future as a result of changes in values, but best represents the current maximum exposure at the reporting date.

Credit risk arising from investments is moderated through prudential controls imposed on all Investment Managers under the terms of their mandates. QSuper uses a number of risk mitigation tools, including, Credit Support Annexures (CSA), imposing counterparty credit limits, and International Swaps and Derivatives Association (ISDA) agreements to mitigate counterparty risk for over-the-counter derivative instruments. These are reviewed by the Board on a regular basis as deemed appropriate. In addition to this, an initial and ongoing due diligence of each counterparty's organisational integrity, systems capability, operational performance, and competence is undertaken.

QSuper may use derivative contracts to manage its exposure to credit risk in accordance with approved investment strategies. The fair value of credit related derivatives held at 30 June 2020 was immaterial.

In addition, for cash and derivative investments, QSuper manages credit risk by dealing with highly rated counterparties and where appropriate, ensuring collateral is maintained.

Credit risk associated with receivables is considered low as this is mainly comprised of dividends, distributions and interest receivable on investments.

The carrying amount, as shown on the statement of financial position, of QSuper's financial assets best represents the maximum credit risk exposure at the reporting date.

## Concentrations of risk

Concentrations of risk arise when a number of financial instruments are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities. These similarities could cause the counterparties' capabilities to meet the contractual obligations to be similarly affected by certain changes in the risk variables.

The concentrations of risk are managed by the Investment team within prescribed limits to ensure they are within acceptable limits by reducing the exposures or by other means as deemed appropriate.

Counterparty limits are imposed to manage and control associated exposures to individual counterparties. Additional controls are in place for derivatives and QSuper's exposure is monitored daily with the unrealised profit and losses aggregated by counterparty.



## Liquidity risk

Liquidity risk is the risk that the financial obligations of QSuper cannot be met as and when they fall due from available cash resources. QSuper is therefore exposed to the liquidity risk of meeting members' withdrawals at any time and switching of member's balances to a different investment choice option.

Set out on the following page are the contractual maturities of financial liabilities. The contractual maturity of QSuper's derivatives are based on undiscounted cashflows.

<b>30 June 2020</b>	<b>Less than 1 month \$m</b>	<b>1-3 months \$m</b>	<b>3-12 months \$m</b>	<b>1-5 years \$m</b>	<b>5+ years \$m</b>	<b>Fair value \$m</b>
<b>Financial liabilities:</b>						
Vested benefits	114,590	-	-	-	-	114,590
Trade and other payables (excluding cash collateral)	157	-	3	-	-	160
Payables for investments purchased	177	-	-	-	-	177
<b>Total undiscounted financial liabilities (excluding derivatives)</b>	<b>114,924</b>	<b>-</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>114,927</b>
<b>Net settled derivatives:</b>						
Fixed interest futures	3	11	(1)	-	-	13
Forward foreign exchange contracts	230	638	368	-	-	1,236
Swaps and warrants	-	-	-	32	-	32
<b>Total undiscounted derivatives inflow / (outflow)</b>	<b>233</b>	<b>649</b>	<b>367</b>	<b>32</b>	<b>-</b>	<b>1,281</b>
Net cash collateral (payable) / receivable	(1,016)	-	-	-	-	(1,016)
<b>Net derivatives (including net cash collateral)</b>	<b>(783)</b>	<b>649</b>	<b>367</b>	<b>32</b>	<b>-</b>	<b>265</b>
<b>30 June 2019</b>						
<b>Financial liabilities:</b>						
Vested benefits	110,668	-	-	-	-	110,668
Trade and other payables	183	-	-	-	-	183
Payables for investments purchased	4	-	-	-	-	4
<b>Total undiscounted financial liabilities (excluding derivatives)</b>	<b>110,855</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>110,855</b>
<b>Net settled derivatives:</b>						
Fixed interest futures	8	(12)	-	-	-	(4)
Forward foreign exchange contracts	(84)	(35)	48	-	-	(71)
Swaps and warrants	-	-	-	67	-	67
<b>Total undiscounted derivatives inflow / (outflow)</b>	<b>(76)</b>	<b>(47)</b>	<b>48</b>	<b>67</b>	<b>-</b>	<b>(8)</b>

QSuper maintains a Liquidity Risk Management policy designed to ensure sufficient liquidity within the Fund to meet its financial obligations. The policy contemplates liquidity for each Investment Option, outlines the procedures for measuring and managing liquidity and considers how liquidity is to be managed under a range of stress scenarios. To the extent possible, potential adverse liquidity circumstances are

identified, along with the actions that would be required to deal with these circumstances.

QSuper categorises liquidity depending on how readily these assets can be converted to cash to meet QSuper's financial obligations. To meet short term requirements, QSuper maintains sufficient cash and short-term deposits. The majority of QSuper's assets are traded in listed markets

which, under normal circumstances, can be liquidated over short periods of time. QSuper's assets include an allocation to unlisted investments that have less-liquid profiles and are expected to take more time to be sold.

QSuper monitors the liquidity closely with the objective of constructing a portfolio to meet the liquidity requirements of the Fund in the short and long term. This includes stress-testing.

## Securities lending

In accordance with Board approved securities lending policies, QSuper entered into a securities lending arrangement with State Street Bank and Trust Company on 2 July 2013, under which legal title to some of QSuper's assets (principally Australian and international equities) may be transferred

to another entity. On 27 April 2020 this agreement was terminated and legal title of any outstanding securities lent under this arrangement was transferred back to QSuper.

During the year ended 30 June 2020, the gross earnings on collateral held in respect of the securities lending program was \$2.5m (2019: \$6m). These amounts were received and paid on behalf of QSuper and have been recognised in the income statement.

During the year ended 30 June 2020, QSuper paid fees to the State Street Bank and Trust Company in the amount of \$0.5m (2019: \$1.2m) for acting as lending agent. The risks and benefits of ownership of the loaned assets remain with QSuper.

# Note 10 Member liabilities and funding arrangements

## Defined Benefit arrangements

Standard members' contributions are made to QSuper at a rate ranging from 2% to 11.5% (2019: 2% to 11.5%) of members' salaries. Employing authorities are required to remit Defined Benefit employer contributions (excluding salary sacrifice contributions) to Queensland Treasury. These contributions are accumulated in a reserve, managed by QIC on behalf of the Queensland Government (Employer Fund), which is maintained to finance the State's future liability for the employer component of all defined benefits. The Queensland Treasurer, on advice from the Queensland State Actuary, determines the rate of employer contributions.

Funding from the Employer Fund to QSuper may be in the form of last-minute funding received at the time the benefit is paid (as described in the *Superannuation (State Public Sector) Act 1990* and in various sections of the *Superannuation (State Public Sector) Deed 1990*). Alternatively, the *Superannuation (State Public Sector) Act 1990* allows the transfer of amounts from the Employer Fund to QSuper in circumstances and at times other than funding the immediate payment of benefits. Transfers occurred monthly and amounted to \$1,723m for 2020 (2019: \$1,725m). The QSuper Defined Benefit account has been underwritten to provide the members of the closed Voluntary Preservation Plan (VPP), a capital guarantee that the earning rate for a full financial year will not be negative. In return for this capital guarantee, VPP members are levied a premium on 30 June each year. The accumulated premiums levied to 30 June 2020 (net of reimbursements) were \$10m (2019: \$10m). The QSuper Defined Benefit account was closed to new members on 12 November 2008.

## Employer-sponsor receivable

As defined benefits become payable, the full cost is met by QSuper, with the Employer Fund contributing the employers' share of these benefits. Under AASB 1056, the difference between the value of the accrued benefits at 30 June 2020 and net assets held by QSuper is recognised as an employer-sponsor receivable. A summary of the employer-sponsor receivable is as follows:

	2020 \$m	2019 \$m
Value of Defined Benefit liability (net of contributions tax)	28,583	29,234
Less Defined Benefit assets held by QSuper	(5,568)	(6,740)
<b>Net receivable from Queensland Government</b>	<b>23,015</b>	<b>22,494</b>

## Defined Benefit member liabilities

The difference between the net receivable of \$23,015m (2019: \$22,494m) as recorded on the statement of financial position and the gross value of the Defined Benefit liability of \$26,762m (2019: \$26,155m) as reported by the employer sponsor represents the value of accrued contributions tax.

Defined Benefit member liabilities are measured as the amount of a portfolio of investments that would be needed as at the reporting date to yield future net cash flows that would be sufficient to meet accrued benefits as at the date when they are expected to fall due. The amount reported has been determined by reference to expected future salary levels and by application of a market-based, risk-adjusted discount rate and relevant actuarial assumptions.

The entitlements of members to benefit payments are recognised as liabilities in the statement of financial position.

## Defined contribution member liabilities

Defined contribution member account balances are measured using unit prices determined by the QSuper Board based on the underlying investment option values selected by members.

## Actuarial review

The last actuarial review of QSuper was conducted as at 30 June 2020 by the State Actuary, Mr W H Cannon BSc(Hons) GradDipAppFin FIAA GAICD. The value of accrued benefits for defined benefit member liabilities excluding accrued contributions tax as at that date was \$28,583m (2019: \$29,234m).

## Internal transfers

Internal transfers disclosed on the Statement of Changes in Member Benefits represent transfers out of member balances from defined benefits to defined contribution accounts for individuals who no longer qualify for inclusion in a defined benefits scheme.

### Key estimates

QSuper uses sensitivity analysis to monitor the potential impact of changes to key assumptions underlying the liability. QSuper has identified three assumptions (gross discount rate, price inflation and the rate of salary adjustment) that have a material impact on the amount of the defined benefit member liabilities.

### Discount rate

The assumed gross discount rate has been determined by reference to the annually convertible yield of a notional duration matched government nominal bond at the relevant date. This represents the expected return of an asset pool that would yield the future net cash flows underpinning the liability, recognising that the defined benefit assets within QSuper represent a minority portion, with the balance met by the risk-free Government guarantee. The State Actuary has recommended the use of this rate. An alternative position would be to utilise an expected portfolio return rate that the scheme actuary assumes will be generated from the overall investment of assets held to fund the liability. This rate is 3.50% (2019: 3.75%) and the application of this rate would reduce the liability and corresponding receivable from the Queensland Government by \$5,472m (2019: \$5,521m).

### Price inflation

The assumed price inflation adjustment has been determined by reference to the difference between yields on nominal and inflation linked bonds of similar duration to the defined benefit liabilities.

### Salary inflation

The assumed annual salary adjustment has been determined by reference to estimates of historical and prospective real salary growth.

The other variables about which assumptions have been made in measuring defined benefit member liabilities and for which reasonably possible changes would not be expected to have a material effect, include: resignations, retirement and mortality rates.

The following table shows the sensitivity to the material assumptions as at 30 June 2020:

Assumption	Assumed at reporting date	Change	(Increase) / decrease in DB member benefit liability (\$m)
Gross discount rate	2020: 0.9% (2019: 1.3%)	2020: +1.0% (2019: +1.0%)	2020: 2,327 (2019: 2,459)
Price inflation	2020: 1.0% (2019: 1.5%)	2020: +1.0% (2019: +1.0%)	2020: (180) (2019: (188))
Salary inflation	2020: 2.0% (2019: 2.5%)	2020: +1.0% (2019: +1.0%)	2020: (2,442) (2019: (2,589))

## Note 11 Vested benefits

Vested benefits are benefits that are not conditional upon continued membership of QSuper (or any factor other than resignation from the scheme) and include benefits which members were entitled to receive had they terminated their QSuper membership as at the reporting date. This amount has been estimated using actuarial assumptions from the most recent actuarial valuation of QSuper as at 30 June 2020.

	<b>2020</b> <b>\$m</b>	<b>2019</b> <b>\$m</b>
Vested benefits (discount rate for underlying member liabilities)	114,590	110,668
Vested benefits (discount rate based on expected return for funding purposes)	112,711	108,740

# Trustees' statement

for the year ended 30 June 2020

## In the opinion of the QSuper Board:

1. The accompanying financial statements of QSuper are properly drawn up so as to present a true and fair view of the financial position of QSuper as at 30 June 2020, the Income Statement for the year ended 30 June 2020, the Statements of Changes in Member Benefits, Changes in Reserves, Cash Flows and notes to the financial statements for the year ended on that date; and
2. The accompanying financial statements have been drawn up in accordance with Accounting Standards in Australia.

Signed in accordance with a resolution of the QSuper Board (ABN 60 905 115 063).



**Don Luke**

Chair



**Michael Pennisi**

Chief Executive Officer

Brisbane  
24 September 2020





## Independent audit report

QSuper (A.B.N. 60 905 115 063)

Report by the Registrable Superannuation Entity ("RSE") Auditor to the members

### Opinion

We have audited the financial statements of QSuper for the year ended 30 June 2020 comprising the Statement of Financial Position, Income Statement, Statement of Changes in Member Benefits, Statement of Changes in Reserves and Statement of Cash Flows.

In our opinion, the financial statements present fairly, in all material respects, in accordance with Australian Accounting Standards the financial position of QSuper as at 30 June 2020 and the results of its operations, cash flows, changes in reserves and changes in members' benefits for the year ended 30 June 2020.

### Basis for opinion

We conducted the audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the entity in accordance with the auditor independence requirements of the Accounting Professional and Ethical Standards Board APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial statements in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of the trustee for the Financial Statements

The RSE's trustee are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the requirements of the *Superannuation Industry (Supervision) Act 1993* (SIS Act) and the *Superannuation Industry (Supervision) Regulations 1994* (SIS Regulations). The trustee also responsible for such internal control as the trustees determine is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustee are responsible for assessing the ability of the RSE to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustee either intends to liquidate the RSE or cease operations, or has no realistic alternative but to do so.



## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Australian Auditing Standards, we exercised professional judgement and maintained professional scepticism throughout the audit. We also:

- Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the RSE's internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustee.
- Concluded on the appropriateness of the trustee's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the RSE's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements, or if such disclosures are inadequate, to modify our audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the RSE to cease to continue as a going concern.
- Evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicated with the trustee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.
- Obtained sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

*Deloitte Touche Tohmatsu*

DELOITTE TOUCHE TOHMATSU

**David Rodgers**

Partner

**Chartered Accountants**

Brisbane, 24 September 2020

## Appendix A: Glossary

Term	Meaning
AASB	Australian Accounting Standards Board
APRA	Australian Prudential Regulation Authority
ARC	Audit & Risk Committee
ASIC	Australian Securities and Investments Commission
Board	QSuper Board
CEO	Chief Executive Officer
CIO	Chief Investment Officer
CSA	Credit Support Annexures
DB	Defined Benefit
DC	Defined Contribution
FIRG	Financial Industry Remuneration Group
FVTPL	Fair Value Through Profit or Loss
FX	Foreign Exchange
GST	Goods and Services Tax
IBNR	Incurred but not reported
IFRS	International Financial Reporting Standards
IPS	Investment Policy Statement
ISDA	International Swaps and Derivatives Association
KMP	Key Management Personnel
LTI	Long Term Incentive
NAV	Net Asset Value
NCD	Negotiable Certificate of Deposit
OneQ	One QSuper Pty Ltd
ORFR	Operational Risk Financial Requirement
PDS	Product Disclosure Statement
QAM	QSuper Asset Management Pty Ltd
QIC	QIC Limited
QIL	QInvest Limited
QInsure	QInsure Limited
QSL	QSuper Limited
QSuper	Formerly known as State Public Sector Superannuation Scheme
QSuper GAP Fund	QSuper Growth Asset Pool – distinct internal portfolio
SIS Act	<i>Superannuation Industry (Supervision) Act 1993</i>
SSAL	State Street Australia Limited
STI	Short Term Incentive
TPD	Total and Permanent Disablement (includes terminal illness as a subset)





#### Phone

**1300 360 750** (+617 3239 1004 if overseas)

Monday to Friday: 8.00am – 6.00pm (AEST)

#### Email

[qsuper@qsuper.qld.gov.au](mailto:qsuper@qsuper.qld.gov.au)

#### Postal address

GPO Box 200, Brisbane QLD 4001

#### Fax

1300 241 602 (+617 3239 1111 if overseas)

#### Member Centres

70 Eagle Street, Brisbane

63 George Street, Brisbane

Sunshine Coast University Hospital, Ground Floor,  
Main Hospital Building, 6 Doherty Street, Birtinya

[qsuper.qld.gov.au](http://qsuper.qld.gov.au)

#### Money magazine

Awarded *Money* magazine's Best of the Best 2020 – Best Balanced Pension Product and Best Balanced Super Product. *Money* magazine awards are solely a statement of opinion and do not represent a recommendation to purchase, hold or sell this product, or make any other investment decisions. Ratings are subject to change. Go to [www.moneymag.com.au](http://www.moneymag.com.au) for details of its ratings criteria. Ratings, awards or investment returns are only one factor that you should consider when deciding how to invest your super. Past performance is not a reliable indicator of future performance.

#### SuperRatings

Awarded 2020 Smooth Ride award, 2020 Pension of the Year, and 10-year Platinum Performance from 2010-2020. The rating/award is issued by SuperRatings Pty Ltd ABN 95 100 192 283, AFSL 311880 (SuperRatings). Ratings are general advice only and have been prepared without taking account of your objectives, financial situation or needs. Consider your personal circumstances, read the product disclosure statement and seek independent financial advice before investing. The rating is not a recommendation to purchase, sell or hold any product. Past performance information is not indicative of future performance. Ratings are subject to change without notice and SuperRatings assumes no obligation to update. SuperRatings uses objective criteria and receives a fee for publishing awards. Visit [superratings.com.au](http://superratings.com.au) for ratings information. © 2020 SuperRatings. All rights reserved.

#### Chant West

Awarded Chant West 2020 Pension Fund of the Year, Best Fund for Investments, Highest Quality Fund for a Super Product and Highest Quality Fund for a Pension Product. The Chant West ratings logo is a trademark of Chant West Pty Limited and used under licence. It is only current at the date awarded by Chant West. The rating and associated material is only intended for use by Australian residents within the jurisdiction of Australia and is not permitted to be considered or used by a party outside of Australia. Chant West does not issue, sell, guarantee, or underwrite this product. For further information about the methodology used by Chant West, see [chantwest.com.au](http://chantwest.com.au). Chant West has given and has not withdrawn its written consent to the inclusion here of the references to Chant West and the inclusion of the ratings logo or rating in the form and context in which they are included. Past performance is not a reliable indicator of future performance. Awards and ratings are only one factor when deciding how to invest your super.

#### Important information

This report and the QSuper products held by you are issued by the QSuper Board (ABN 32 125 059 006, AFSL 489650) as trustee for QSuper (ABN 60 905 115 063).

The 2020 Annual Report forms part of your annual statement and must be read in conjunction with your 2020 Annual Statement, which consists of Your 2020 Super Statement and Your 2020 Super Notes.

When we say 'we', 'us', 'our', 'QSuper', or the 'QSuper Group' we are referring to the QSuper Board, and the entities (which are ultimately owned by the QSuper Board as trustee for QSuper) consisting of QSuper Limited (ABN 50 125 248 286), QInvest Limited (ABN 35 063 511 580), One QSuper Pty Limited (ABN 90 601 938 774), QInsure Limited (ABN 79 607 345 853), and QSuper Asset Management Pty Ltd (ABN 67 608 694 471), unless the context we are using it in suggests otherwise.

We have put this information together as general information only, so keep in mind that it does not take into account your personal objectives, financial situation, or needs. You should consider whether the product is appropriate for you by reading a copy of the product disclosure statement (PDS) before making a decision. You can download the PDS from [qsuper.qld.gov.au/pds](http://qsuper.qld.gov.au/pds) or call us on 1300 360 750 to request a copy. © QSuper Board. CNC-4049. 10/20.