2014 ANNUAL REPORT

Issued : October 2014

QSuper®
GROWING YOUR SUPER TOGETHER

You're with a top-rated fund

Chant West Pension Fund of the Year for the second year in a row.

QSuper was named Pension Fund of the Year at the 2014 Chant West Super Fund Awards.

Important information

This report and all products are issued by the Board of Trustees of the State Public Sector Superannuation Scheme (ABN 32 125 059 006) (QSuper Board) as trustee for the State Public Sector Superannuation Scheme (ABN 60 905 115 063) (QSuper Fund). The QSuper Board is not licensed to provide financial product advice. Where the term 'QSuper' is used it represents the QSuper Board, the QSuper Fund or QSuper Limited (as applicable), unless the context indicates otherwise.

This information has been prepared for general purposes only without taking into account your objectives, financial situation, or needs and should not be relied on as legal or taxation advice, nor does it take the place of such advice. Any statements of law or proposals are based on our interpretation of the law or proposals as at the time of printing. Consider whether the product is appropriate for you and read the PDS before making a decision. You can obtain a PDS at qsuper.qld.gov.au or call us on 1300 360 750.

Chant West has given its consent for the inclusion of references to Chant West in the QSuper Annual Report 2014, and the inclusion of the ratings and awards provided by Chant West in the form and context in which they are included. For further information about the methodology used by Chant West, see chantwest.com.au. SuperRatings does not issue, sell, guarantee or underwrite this product. Go to superratings.com.au for details of its rating criteria. 7439 10/14

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About QSuper

As Queensland's largest[1] and oldest superannuation fund, Queenslanders have trusted us to look after their retirement for over 100 years. While much has changed in the past 100 years, QSuper's unwavering commitment to our members continues. It's firmly embedded in the culture and values of QSuper and through the QSuper Board's vision to improve retirement outcomes for its members.

The QSuper Group features a large, complex and diverse superannuation fund, and operations that include financial advice business QInvest[2], mortgage broking service (QInvest LoanFinder)[3], and self-underwritten insurance products. Unlike many other funds, QSuper manages much of its end-to-end administration in-house through QSuper Limited[4] using tailored platforms and systems.

QSuper is one of Australia's largest funds, responsible for the administration of more than 840,000 individual superannuation accounts for more than 530,000 members, amounting to approximately $78 billion, including funds under management of $51 billion.

About our annual report

The QSuper Board is pleased to present our annual report for the 12 months ending 30 June 2014. This report has been prepared for Queensland Parliament, QSuper members, and organisations which share an interest in the objectives and achievements of QSuper.

As an integral part of QSuper's corporate governance framework, our annual report presents a complete picture of the QSuper Board's activities over the year. It provides information about our performance, achievements, financial position and management.

The QSuper Board is required to provide you with the information that reasonably allows you to understand your benefit entitlements. This is the *QSuper Annual Report 2014*, which provides general information about the performance, management and financial condition of the Fund, and should be read in conjunction with your benefit statement as at 30 June 2014.

1 Based on Funds Under Management (FUM) information released 8 January 2014 by Australian Prudential Regulation Authority (APRA) Annual Superannuation Bulletin for the financial year to 30 June 2013. **2** QInvest Limited (ABN 35 063 511 580, AFSL and Australian Credit Licence number 238274) (QInvest) is ultimately owned by the QSuper Board (ABN 32 125 059 006) as trustee for the QSuper Fund (ABN 60 905 115 063), and is a separate legal entity which is responsible for the financial services and credit services it provides. **3** These credit services are provided by QInvest. QSuper does not receive any direct payments or commissions from QInvest as a result of members using the LoanFinder service. Members should make their own assessment regarding the suitability of this service for their individual needs. **4** QSuper Limited (ABN 50 125 248 286 AFSL 334546) (QSL) is ultimately owned by the QSuper Board (ABN 32 125 059 006) as trustee for the QSuper Fund (ABN 60 905 115 063).

The Chairman's report

I'm looking forward to continuing to enhance our product and service offerings in the future to meet the changing needs of our members throughout their lives.

Karl Morris

Chairman of the QSuper Board of Trustees, and the QSuper Limited and QInvest Limited Boards.

A new century – a new chapter

As the new Chairman of QSuper, I'm delighted to have joined the Fund. Over the past year we have risen to many challenges and implemented innovative new products to help our members reach their retirement goals.

The QSuper Fund involves the management of the investment, administration and insurance needs of all our members. The QSuper Board takes the governance of the fund very seriously as we are aware we are looking after the retirement outcomes of our members.

This year has been a significant one for QSuper, with the introduction of the Australian Government's MySuper legislation. MySuper was introduced to improve and simplify superannuation for Australians. To meet these legislative requirements we made some changes to ensure we are offering a MySuper approved product.

This came in the form of QSuper Lifetime, our new default investment option for the Accumulation account, which we introduced in December 2013. Lifetime is an industry-leading investment option, with strategies designed to be responsive to the different needs of members throughout their life. We also recognise that some members want to actively choose their own investments, so in September 2014, we intend to launch a direct investment option called QSuper Self Invest. I'm looking forward to continually enhancing our product and service offerings to meet the changing needs of our members throughout their lives.

Awarded for the second year running

While it's important that QSuper's products and services are designed to help our members reach their retirement goals, it's also rewarding when QSuper is recognised within the industry. I'm delighted that we have been awarded Pension Fund of the Year 2014 by independent experts Chant West, for our Income account.[1] This is the second year in a row we have earned this title, which is a testament to how we continue to improve and innovate our Income account to support our members during their retirement.

Profound thanks

We can't achieve great things without great people, so I would like to take this opportunity on behalf of the QSuper Board to thank our Chief Executive Officer Rosemary Vilgan, the QSuper Limited

'Over the past year we have risen to many challenges and implemented innovative new products.'

Executive Team and our staff for their passion and hard work during this period of growth and development. I would also like to thank our external service providers and advisers for their expert ongoing assistance.

Part of opening a new chapter means that we must close another, which brings me to thanking Bob Scheuber, the previous Chairman. Bob has played an integral role in QSuper's development during his years of dedicated service and has been a part of an era of great change not only for the Fund, but for the superannuation industry as a whole. I would also like to extend my thanks to the trustees who left the Board this past financial year, with some of their many achievements highlighted over the page.

Additionally I'd like to thank four directors who made a significant contribution in overseeing the QInvest financial planning business and who departed the QInvest Board during 2013/2014. On behalf of all at QSuper I extend my thanks to Dale Hennessy, Steve Ryan, John Carpendale and Pat Cunningham. In particular I wish to extend a special thanks to long-serving board members Dale Hennessy and Steve Ryan who each served on the Board for 16 years and contributed greatly to shaping and guiding the business over this period.

I am looking forward to the year ahead and the opportunities we have for further growth and development for the Fund, and I am excited to embrace those opportunities for the benefit of you, the member.

Karl Morris

1 Chant West Super Fund Awards 2013 and 2014.

Celebrating strong leadership

We can't achieve great things without great people which is why it's fitting to acknowledge the role QSuper Board members play in guiding the direction of the Fund.

Acknowledging our outgoing board members

A number of trustees who contributed a great deal to the QSuper Fund during their tenure, departed the QSuper Board during 2013/2014. On behalf of the QSuper Board, our staff and our members, I extend my sincere thanks to Karen Peut, Steve Ryan, Peter Henneken, Gay Hawksworth, Debbie Best, Tom Jeffers and Amanda Richards.

A special thank you

In particular I wish to extend my profound heartfelt thanks to long-serving board members Karen Peut and Steve Ryan. Karen and Steve served for 28 and 19 years respectively and contributed to many of the achievements of the Fund over this period including:

- Creation of QSuper
  The fund as we know it today was born in 1990. In 1997, most of the remaining Queensland Government super schemes merged into QSuper.
- Launch of the Accumulation account
  When this account became the default option in 2000, large employee groups such as nurses were for the first time given automatic access to more adequate contribution arrangements.
- Increased options for members
  Over the years the Board has increased the number of investment options to better meet members' needs, and introduced post retirement products such as the QSuper Income account.
- QInvest Limited established
  In 1994, QSuper and then investment manager QIC Limited established financial planning company QInvest Limited to ensure all members had access to genuine, affordable advice about their super. QInvest Limited is now wholly owned by QSuper Limited.
- QSuper opting in to federal regulation
  This move in 2009 means that QSuper members are now able to have a non-Queensland Government employer contribute to their QSuper account.
- Creation of QSuper Limited
  This involved transitioning staff from Queensland Government to the new administration company, and allowed QSuper to begin building a direct investment capability.

Karen Peut
May 1985 – November 2013

Steve Ryan
June 1994 – November 2013

Peter Henneken
December 2007 – November 2013

Amanda Richards
September 2008 – October 2013

Gay Hawksworth
December 2007 – November 2013

Debbie Best
September 2011 – November 2013

Tom Jeffers
August 2007 – November 2013

Financial summary

This is an abridged audited version of the QSuper Fund's financial statements. The full audited financial statements and auditor's report are located from page 30 of this report.

	30/06/14 $m	30/06/13 $m
Statement of Net Assets at 30 June 2014		
Assets		
Investments		
Cash and short term deposits	8,093	2,094
Equities	16,746	14,964
Listed trusts	851	255
Derrivative assets	390	122
Margin accounts	492	334
Other interest bearing securities	3,188	8,176
Unlisted unit trusts	21,572	16,896
Unlisted partnerships	–	821
Investments in service providers	85	84
	51,417	**43,746**
Other assets		
Cash	46	37
Contributions receivable	95	84
GST receivable	5	1
Sundry receivables and prepayments	339	654
	485	**776**
Total assets	**51,902**	**44,522**
Liabilities		
Benefits payable	10	17
Administration and investment management fees payable	46	34
Sundry payables	73	12
Derivative liabilities	112	667
Current tax liabilities	54	18
Deferred tax liabilities	242	(55)
Provision for superannuation contributions surcharge	56	61
Total liabilities	**593**	**754**
Net assets available to pay benefits	**51,309**	**43,768**
Represented by		
Reserves	955	633
Accumulated member funds	50,354	43,135
Total liability for accrued benefits	**51,309**	**43,768**

	30/06/14 $m	30/06/13 $m
Statement of Changes in Net Assets for the year ended 30 June 2014		
Investment revenue		
Dividends	1,402	868
Distributions from unit trusts	286	1,382
Change in net market value of investments	4,005	2,320
Interest revenue	60	48
Other income	8	7
	5,761	**4,625**
Contribution revenue		
Employer contributions	4,627	5,537
Member contributions	971	911
Transfers from other funds	798	682
	6,396	**7,130**
Total revenue	**12,157**	**11,755**
Expenses		
Benefits paid	3,392	3,178
Administration fee	156	125
Direct investment expenses	125	93
Insurance premiums	36	7
Financial planning fee	16	18
Other expenses	8	11
Total expenses	**3,733**	**3,432**
Change in net assets before income tax	**8,424**	**8,323**
Less: Income tax expense	**883**	**611**
Change in net assets after income tax	**7,541**	**7,712**
Net assets available to pay benefits at the beginning of the financial year	**43,768**	**36,056**
Net assets available to pay benefits at the end of the financial year	**51,309**	**43,768**

The CEO's report

We will continue to implement high quality, progressive products not just over the next 12 months, but for the next 100 years to come.

Rosemary Vilgan

Chief Executive Officer of the QSuper Board, QSuper Limited and QInvest Limited

Celebrating our centenary last year was a significant milestone for QSuper and the occasion served as a platform to renew our focus on our members to continue to implement high quality, progressive products not just over the next 12 months, but for the next 100 years. As another year ends, it is timely to reflect on the achievements of our fund.

Easier access to advice

Making it easier for members to receive advice about their super and financial future is a key focus for the Fund. We are already seeing the results of this with an almost 16% increase in advice provided and are making significant headway in this area to further improve our member experience. Part of this has been mobilising and quickly responding to the Future of Financial Advice (FOFA) reforms for QInvest. As we do more work in this space, we'll keep you updated about our progress.

Improvements to QSuper insurance

Another way we're enhancing our offering for members is by changing our insurance offering to provide better coverage, while ensuring it meets MySuper legislative requirements. We have achieved this by providing automatic cover for eligible members, by providing higher levels of cover for many members, and by decreasing the exclusion periods for pre-existing conditions. Over the next 12 months we'll be looking at ways of further improving our insurance for members.

Segregation of assets

Another initiative introduced by QSuper during the year has been the segregation of nearly $10 billion in Income account assets from our Accumulation account assets. Segregating these assets provides the platform for more tailored investment strategies to be developed for members, taking into account their tax environment. This is an industry-leading initiative and it is expected that this will ultimately lead to better outcomes for members.

Measuring our achievements

As a fund we have achieved a lot this financial year with highlights including APRA's approval of our MySuper licence, achieving SuperStream compliance and launching an updated Employer Services section on our website. We achieved this while managing the change in Federal Government, the Future of Financial Advice (FOFA) reforms and the introduction of portability to our fund.

Living the QSuper values

In last year's report I mentioned our new internal values of United, Spirited, Courageous and Accomplished. I am pleased to say over the past 12 months I have witnessed our employees taking our values to heart, demonstrated by their hard work and commitment.

I am proud of the work we are doing to ensure our members make the most of their retirement and am confident the year ahead will offer more innovative and inspiring opportunities for QSuper and our members.

Rosemary Vilgan

'I am proud of the work we are doing to ensure our members make the most of their retirement'

QSuper's products

We understand members' superannuation needs and expectations often change throughout their working life and into retirement. For example, the needs of a 20 year old who is at the start of their career differ greatly from a 60 year old who is nearing the end of their career.

That's why the QSuper Board remains committed to continually reviewing its products and services to meet the changing needs of members throughout their lives.

Accumulation account

QSuper's Accumulation account caters for members both during and after their employment with the Queensland Government. Spouses of members are also eligible to open an Accumulation account.

QSuper's Accumulation account allows members to actively participate in the growth of their superannuation by choosing investment options to suit their appetite for risk and return. On 16 December 2013 we introduced our MySuper option, QSuper Lifetime, which replaced the Balanced option as our default investment option for Accumulation accounts. Members' funds are placed into Lifetime when the QSuper Fund does not receive any specific investment direction.

Since 1 July 2009, QSuper members and their spouses have had the option to have a non-Queensland Government employer pay their super contributions into a QSuper Accumulation account. As at 30 June 2014, more than 40,000 members were utilising this option.

Accumulation account	30 June 2013	30 June 2014
Accounts (active)[1]	295,955	343,973
Accounts (retained)[1]	386,993	376,348
Income protection benefits paid	3,803	4,100
Rollovers to QSuper Fund	30,032	32,647
Members making voluntary contributions	76,871	52,034
Accumulation accounts opened via spouse deposits	1,248	1,650
Income		
Contribution	$6,288m	$6,031m
Investment	$3,238m	$4,148m
Miscellaneous	$2m	$2m
Total	**$9,528m**	**$10,181m**
Expenditure	$4,084m	$5,453m
Balance of accounts	$31,296m	$36,022m

1 Some QSuper members may have multiple accounts.

Our Income account was named Pension Fund of the Year 2014 at the Chant West Super Fund Awards for the second year running.

Income account

A QSuper Income account (formerly the Pension account) is an account-based pension product that allows members to use their superannuation benefit to generate an income stream in retirement. The pension is paid until the Income account balance is exhausted.

Transition to retirement

The transition to retirement option allows eligible members to open an Income account and draw an income while still employed. We implemented the transition to retirement option in July 2006, and as at 30 June 2014, 5,176 members were utilising this option.

Income account	30 June 2013	30 June 2014
Accounts	27,351	31,946
New accounts opened	5,929	4,595
Income		
Contribution	$2,224m	$2,618m
Investment	$666m	$976m
Total	**$2,890m**	**$3,594m**
Expenditure	$1,056m	$1,380m
Balances of accounts	$8,221m	$10,436m

Our achievements

Commenced QSuper Lifetime for members

On 16 December 2013 QSuper Lifetime, our new industry-leading lifecycle investment option for all default Accumulation members, was launched. The Lifetime investment option is innovative in that it offers members a far more tailored approach to their super by adjusting their investment strategy as they move through life, taking into account their age and Lifetime account balance.

Our achievements

Relaunched our award-winning Income account

After winning Pension Fund of the Year at the 2013 Chant West Super Fund Awards we didn't rest on our laurels. In fact we took action to further improve our Pension account by introducing a range of enhanced features and renaming it as the Income account, to better reflect its purpose which is to provide an income in retirement. Our commitment to providing members with the best possible product was recognised again this year, with the Income account named Pension Fund of the Year for the second year running.

Defined Benefit account

A QSuper Defined Benefit account provides accrued and insured benefits based on a member's salary, contribution rate and length of membership. Employer contributions are held in a reserve managed by Queensland Treasury Corporation on behalf of the Queensland Government, which, when combined with the employee contributions, fund the benefits of Defined Benefit account members as required.

The Defined Benefit account is closed to new members. The Actuarial Report as at 30 June 2013 of all defined benefit style accounts was released in June 2014 and is explained as part of the financial statements. The report indicates the accounts are soundly funded.

Defined Benefit account	30 June 2013	30 June 2014
Accounts (active)	57,881	57,786
Accounts (retained)[1]	43,652	38,392
Benefit payments		
Age retirement	4,459	3,517
Permanent disability	309	221
Resignation	1,055	1,646
Retrenchment	5,279	2,427
Income protection benefits paid	1,495	1,281
Income		
Contribution	$3,568m	$2,534m
Investment	$718m	$635m
Total	**$4,286m**	**$3,169m**
Expenditure	$3,852m	$2,568m
Balance of accounts[2]	$4,250m	$4,851m

1 Also referred to as deferred retirement benefits.
2 This amount is managed by QSuper Limited and comprises member contributions and investment returns on those contributions, which when combined with the employer contributions, fund defined benefit liabilities as required.

State and Police accounts

QSuper State and Police accounts are defined benefit style accounts which are closed to new members.

In a State or Police account, employer contributions are also held in a reserve managed by Queensland Treasury Corporation on behalf of the Queensland Government, which when combined with the employee contributions, fund the benefits of State and Police members as required.

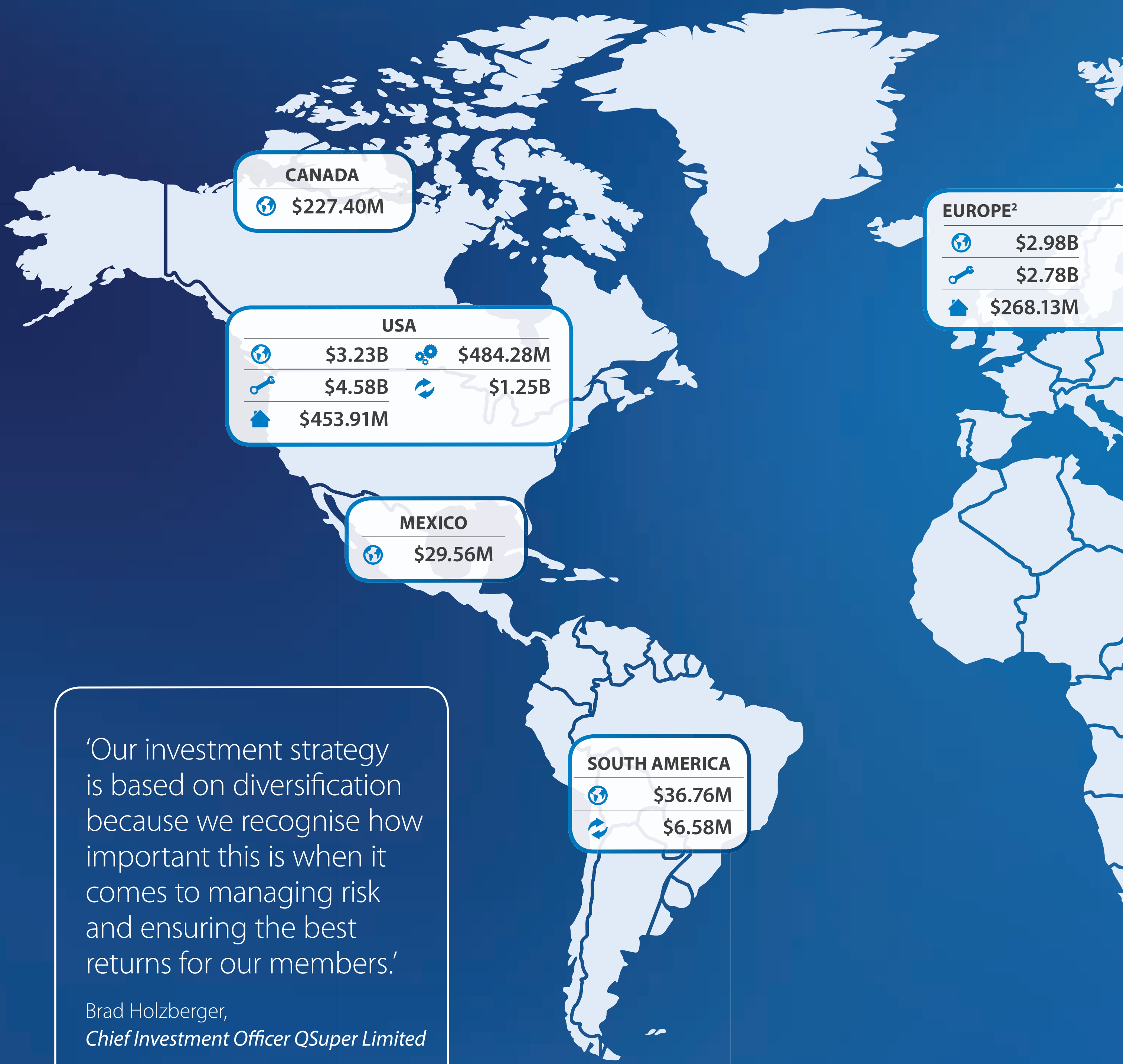
State and Police accounts	30 June 2013	30 June 2014
Accounts	1,048	916
Benefit payments		
Age retirement	94	91
Ill-health retirement	2	7
Death	0	0
Resignation	6	6
Retrenchment/redundancy	14	2
Total	**116**	**106**
Income protection benefits paid	22	21
Income	Included in Defined Benefit account	Included in Defined Benefit account
Expenditure	Included in Defined Benefit account	Included in Defined Benefit account
Balance of accounts	Included in Defined Benefit account	Included in Defined Benefit account

Our achievements

Relaunched our insurance offering

On 16 December 2013 we made changes to our insurance arrangements, resulting in even better benefits for more of our members by expanding eligibility, increasing benefits and introducing shorter pre-existing condition exclusion periods. The changes mean thousands of extra members have access to death and TPD insurance whereas previously only members who had an employer contributing to their super account were eligible. Although the value of insurance premiums increased for most members the value of death and TPD insurance units also increased, leading to higher levels of cover.

QSuper Fund investments

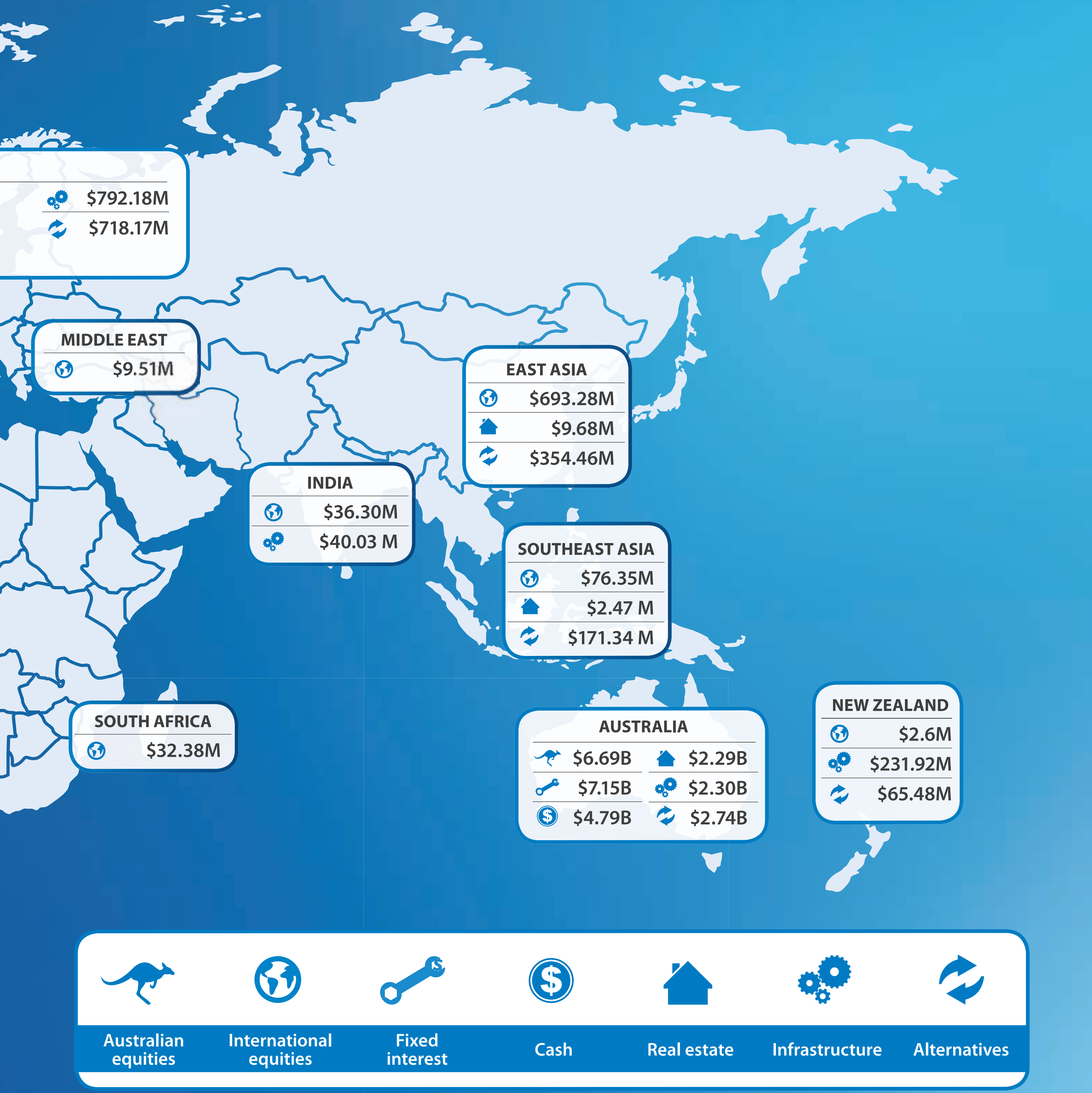


'Our investment strategy is based on diversification because we recognise how important this is when it comes to managing risk and ensuring the best returns for our members.'

Brad Holzberger,
Chief Investment Officer QSuper Limited

With total assets of more than $50 billion[1] across 56 countries around the world, there's no denying the diversity of QSuper's investment portfolio.

Depending on each member's chosen investment mix, their superannuation can be invested in a wide range of asset classes, including Australian equities, international equities, fixed interest, cash, real estate, infrastructure and alternative assets.



1 This total asset figure does not equal $50 billion as not all QSuper Fund assets are included due to an inability to look through to assets / country level for certain investments.
2 Countries in the Eurozone.
The data captured in this map is current at 30 June 2014.

QSuper investment options

Default option for the Accumulation account

QSuper Lifetime

Outlook – You're under 40

Outlook is the group for default Accumulation account members under 40 years.

Suitable for long-term investors who want exposure to assets with potentially higher returns.

Objective

To achieve an annual return of CPI + 4.5% p.a. after fees and tax, measured over rolling 10-year periods.

Risk

Investors should be aware that a negative annual return is expected between 3 and 4 times in every 20 years.

Very low	Low	Low to medium	Medium	**Medium to high**	High	Very high

Fees

Management fees for 2013/2014

Admin fee%[1]	Investment fee %	Investment Performance fee %	Total %
0.22	0.38	0.06	0.66

Asset allocations

	Actual asset allocations (%) Year ended 30 June 2013	Actual asset allocations (%) Year ended 30 June 2014[2]	Ranges (%)
Cash	n/a	3	0 – 15
Fixed interest[3]	n/a	22	0 – 35
Property	n/a	9	0 – 25
Australian shares	n/a	17	5 – 30
International shares	n/a	19	5 – 45
Alternative assets	n/a	16	0 – 30
Infrastructure	n/a	12	0 – 25

Investment returns[4,5]

	Accumulation account	Income account
Crediting rate (%)		
12 months	n/a	n/a
3 years p.a.	n/a	n/a
5 years p.a.	n/a	n/a
10 years p.a.	n/a	n/a

Aspire 1 – You're 40-49

Aspire 1 is the group for default Accumulation account members aged between 40-49 with less than $50,000 invested in Lifetime.

Suitable for medium to long-term investors with lower account balances who want exposure to assets with potentially higher returns.

Objective

To achieve an annual return of CPI + 4.5% p.a. after fees and tax, measured over rolling 10-year periods.

Risk

Investors should be aware that a negative annual return is expected between 3 and 4 times in every 20 years.

Very low	Low	Low to medium	Medium	**Medium to high**	High	Very high

Fees

Management fees for 2013/2014

Admin fee%[1]	Investment fee %	Investment Performance fee %	Total %
0.22	0.33	0.05	0.60

Asset allocations

	Actual asset allocations (%) Year ended 30 June 2013	Actual asset allocations (%) Year ended 30 June 2014[2]	Ranges (%)
Cash	n/a	4	0 – 15
Fixed interest[3]	n/a	22	0 – 35
Property	n/a	9	0 – 25
Australian shares	n/a	17	5 – 30
International shares	n/a	19	5 – 45
Alternative assets	n/a	16	0 – 30
Infrastructure	n/a	12	0 – 25

Investment returns[4,5]

	Accumulation account	Income account
Crediting rate (%)		
12 months	n/a	n/a
3 years p.a.	n/a	n/a
5 years p.a.	n/a	n/a
10 years p.a.	n/a	n/a

Aspire 2 – You're 40-49

Aspire 2 is the group for default Accumulation account members aged between 40-49 with $50,000 or more invested in Lifetime.

Suitable for medium to long-term investors with higher account balances who want exposure to assets with potentially higher returns.

Objective

To achieve an annual return of CPI + 4.0% p.a. after fees and tax, measured over rolling 10-year periods.

Risk

Investors should be aware that a negative annual return is expected between 3 and 4 times in every 20 years.

Very low	Low	Low to medium	Medium	**Medium to high**	High	Very high

Fees

Management fees for 2013/2014

Admin fee%[1]	Investment fee %	Investment Performance fee %	Total %
0.22	0.33	0.05	0.60

Asset allocations

	Actual asset allocations (%) Year ended 30 June 2013	Actual asset allocations (%) Year ended 30 June 2014[2]	Ranges (%)
Cash	n/a	5	0 – 15
Fixed interest[3]	n/a	35	10 – 60
Property	n/a	8	0 – 25
Australian shares	n/a	14	5 – 30
International shares	n/a	15	5 – 45
Alternative assets	n/a	13	0 – 30
Infrastructure	n/a	10	0 – 25

Investment returns[4,5]

	Accumulation account	Income account
Crediting rate (%)		
12 months	n/a	n/a
3 years p.a.	n/a	n/a
5 years p.a.	n/a	n/a
10 years p.a.	n/a	n/a

1 Administration fees are capped at $1,540 for Accumulation and Income accounts. **2** This figure has been rounded for member reporting purposes. **3** In the Lifetime option and Ready Made options these assets provide diversification, a hedge against inflation and target yield enhancement. This asset class is also referred to as bonds. **4** Past performance is not a reliable indicator of future performance. **5** Investment returns since this option's inception at 26 May 2014 are 0.98% for Outlook, 0.98% for Aspire 1 and 0.82% for Aspire 2.

Default option for the Accumulation account (continued)

QSuper Lifetime

Focus 1 – You're 50-57

This is the default option for the Accumulation account for all members aged 50-57 with a Lifetime account balance of less than $100,000.

Suitable for medium-term investors with low balances who want exposure to assets with potentially higher returns.

Objective

To achieve an annual return of CPI + 4.0% p.a. after fees and tax, measured over rolling 10-year periods.

Risk

Investors should be aware that a negative annual return is expected between 3 and 4 times in every 20 years.

Very low	Low	Low to medium	Medium	**Medium to high**	High	Very high

Fees

Management fees for 2013/2014

Admin fee%[1]	Investment fee %	Investment Performance fee %	Total %
0.22	0.30	0.04	0.56

Asset allocations

	Actual asset allocations (%) Year ended 30 June 2013	Actual asset allocations (%) Year ended 30 June 2014[2]	Ranges (%)
Cash	n/a	6	0–15
Fixed interest[3]	n/a	35	10–60
Property	n/a	7	0–25
Australian shares	n/a	14	5–30
International shares	n/a	15	5–45
Alternative assets	n/a	13	0–30
Infrastructure	n/a	9	0–25

Investment returns[4,5]

	Accumulation account	Income account
Crediting rate (%)		
12 months	n/a	n/a
3 years p.a.	n/a	n/a
5 years p.a.	n/a	n/a
10 years p.a.	n/a	n/a

Focus 2 – You're 50-57

This is the defualt option for the Accumulation account for members aged 50-57 with a Lifetime account balance of $100,000 to less than $250,000.

Suitable for medium-term investors with moderate account balances who want exposure to assets with potentially higher returns.

Objective

To achieve an annual return of CPI + 3.75% p.a. after fees and tax, measured over rolling 10-year periods.

Risk

Investors should be aware that a negative annual return is expected between 2 and 3 times in every 20 years.

Very low	Low	Low to medium	**Medium**	Medium to high	High	Very high

Fees

Management fees for 2013/2014

Admin fee%[1]	Investment fee %	Investment Performance fee %	Total %
0.22	0.30	0.04	0.56

Asset allocations

	Actual asset allocations (%) Year ended 30 June 2013	Actual asset allocations (%) Year ended 30 June 2014[2]	Ranges (%)
Cash	n/a	5	0–15
Fixed interest[3]	n/a	42	20–70
Property	n/a	7	0–20
Australian shares	n/a	12	5–25
International shares	n/a	14	5–40
Alternative assets	n/a	12	0–25
Infrastructure	n/a	8	0–20

Investment returns[4,5]

	Accumulation account	Income account
Crediting rate (%)		
12 months	n/a	n/a
3 years p.a.	n/a	n/a
5 years p.a.	n/a	n/a
10 years p.a.	n/a	n/a

Focus 3 – You're 50-57

Focus 3 is the default group for Accumulation account for members aged 50-57 with $250,000 or more invested in Lifetime.

Suitable for medium-term investors with high balances who want exposure to assets with potentially higher returns.

Objective

To achieve an annual return of CPI + 3.5% p.a. after fees and tax, measured over rolling 10-year periods.

Risk

Investors should be aware that a negative annual return is expected between 2 and 3 times in every 20 years.

Very low	Low	Low to medium	**Medium**	Medium to high	High	Very high

Fees

Management fees for 2013/2014

Admin fee%[1]	Investment fee %	Investment Performance fee %	Total %
0.22	0.30	0.04	0.56

Asset allocations

	Actual asset allocations (%) Year ended 30 June 2013	Actual asset allocations (%) Year ended 30 June 2014[2]	Ranges (%)
Cash	n/a	5	0–15
Fixed interest[3]	n/a	49	30–75
Property	n/a	6	0–20
Australian shares	n/a	10	0–20
International shares	n/a	12	5–35
Alternative assets	n/a	10	0–25
Infrastructure	n/a	7	0–20

Investment returns[4,5]

	Accumulation account	Income account
Crediting rate (%)		
12 months	n/a	n/a
3 years p.a.	n/a	n/a
5 years p.a.	n/a	n/a
10 years p.a.	n/a	n/a

1 Administration fees are capped at $1,540 for Accumulation and Income accounts. **2** This figure has been rounded for member reporting purposes. **3** In the Lifetime option and Ready Made options these assets provide diversification, a hedge against inflation and target yield enhancement. This asset class is also referred to as bonds. **4** Past performance is not a reliable indicator of future performance. **5** Investment returns since this option's inception at 26 May 2014 are 0.94% for Focus 1, 0.92% for Focus 2 and 0.90% for Focus 3.

QSuper investment options

Default option for the Accumulation account (continued)

QSuper Lifetime

Sustain 1 – You're 58 and over

Sustain 1 is the group for default Accumulation account members 58 or over with less than $300,000 invested in Lifetime.

Suitable for investors who are close to or in retirement.

Objective

To achieve an annual return of CPI + 2.5% p.a. after fees and tax, measured over rolling 10-year periods.

Risk

Investors should be aware that a negative annual return is expected less than 0.5 times in every 20 years.

Very low	Low	Low to medium	Medium	Medium to high	High	Very high

Fees

Management fees for 2013/2014

Admin fee %[1]	Investment fee %	Investment Performance fee %	Total %
0.22	0.19	0.04	0.45

Asset allocations

	Actual asset allocations (%) Year ended 30 June 2013	Actual asset allocations (%) Year ended 30 June 2014[2]	Ranges (%)
Cash	n/a	51	0–75
Fixed interest[3]	n/a	11	0–35
Property	n/a	5	0–20
Australian shares	n/a	9	0–30
International shares	n/a	10	0–45
Alternative assets	n/a	8	0–25
Infrastructure	n/a	6	0–20

Investment returns[4,5]

	Accumulation account	Income account
Crediting rate (%)		
12 months	n/a	n/a
3 years p.a.	n/a	n/a
5 years p.a.	n/a	n/a
10 years p.a.	n/a	n/a

Sustain 2 – You're 58 and over

Sustain 2 is the default group for Accumulation account members over 58 with $300,000 or more invested in Lifetime.

Suitable for investors who are close to or in retirement.

Objective

To achieve an annual return of CPI + 2.0% p.a. after fees and tax, measured over rolling 10-year periods.

Risk

Investors should be aware that a negative annual return is expected less than 0.5 times in every 20 years.

Very low	Low	Low to medium	Medium	Medium to high	High	Very high

Fees

Management fees for 2013/2014

Admin fee %[1]	Investment fee %	Investment Performance fee %	Total %
0.22	0.19	0.04	0.45

Asset allocations

	Actual asset allocations (%) Year ended 30 June 2013	Actual asset allocations (%) Year ended 30 June 2014[2]	Ranges (%)
Cash	n/a	70	0–90
Fixed interest[3]	n/a	7	0–35
Property	n/a	3	0–20
Australian shares	n/a	5	0–30
International shares	n/a	6	0–45
Alternative assets	n/a	5	0–25
Infrastructure	n/a	4	0–20

Investment returns[4,5]

	Accumulation account	Income account
Crediting rate (%)		
12 months	n/a	n/a
3 years p.a.	n/a	n/a
5 years p.a.	n/a	n/a
10 years p.a.	n/a	n/a

Ready Made options

QSuper Moderate

Suitable for investors who want short to medium-term stability and some exposure to growth assets with potential for moderate returns. Investors in the Moderate option should also be prepared to sacrifice the potential for higher returns in exchange for short to medium-term stability.

Objective

To achieve a return of CPI + 2.5% p.a. after fees and tax, measured over rolling 3-year periods.

Risk

A negative annual return is expected between 1 and 2 times in every 20 years.

Very low	Low	**Low to medium**	Medium	Medium to high	High	Very high

Fees

Management fees for 2013/2014

Admin fee %[1]	Investment fee %	Investment Performance fee %	Total %
0.22	020	0.06	0.48

Asset allocations

	Actual asset allocations (%) Year ended 30 June 2013	Actual asset allocations (%) Year ended 30 June 2014[2]	Ranges (%)
Cash	52	58	40–70
Fixed interest[3]	9	9	2.5–17.5
Property	4	4	0–10
Australian shares	13	8	2.5–15
International shares	11	10	2.5–22.5
Alternative assets	6	7	0–12.5
Infrastructure	5	5	0–10

Investment returns[4,5]

	Accumulation account	Income account
Crediting rate (%)		
12 months	8.55	9.65
3 years p.a.	6.95	7.98
5 years p.a.	7.16	7.99
10 years p.a.	5.89	6.73

1 Administration fees are capped at $1,540 for Accumulation and Income accounts. **2** This figure has been rounded for member reporting purposes. **3** In the Lifetime option and Ready Made options these assets provide diversification, a hedge against inflation and target yield enhancement. This asset class is also referred to as bonds. **4** Past performance is not a reliable indicator of future performance. **5** Investment returns since this option's inception at 16 December 2013 are 4.06% for Sustain 1 and 4.41% for Sustain 2.

Ready Made options (continued)

QSuper 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 fluctuations in the value of their investments over the short term.

Objective
To achieve a return of CPI + 3.5% p.a. after fees and tax, measured over rolling 10-year periods.

Risk
Investors should be aware that a negative annual return is expected between 2 and 3 times in every 20 years.

Very low	Low	Low to medium	**Medium**	Medium to high	High	Very high

Fees
Management fees for 2013/2014

Admin fee %[2]	Investment fee %	Investment Performance fee %	Total %
0.22	0.31	0.11	0.64

Asset allocations

	Actual asset allocations (%) Year ended 30 June 2013	Actual asset allocations (%) Year ended 30 June 2014[3]	Ranges (%)
Cash	13	13	0–25
Fixed interest[4]	24	20	5–35
Property	9	8	0–20
Australian shares	13	15	5–30
International shares	19	20	5–45
Alternative assets	11	14	0–25
Infrastructure	10	10	0–20

Investment returns[5]

	Accumulation account	Income account
Crediting rate (%)		
12 months	13.41	15.08
3 years p.a.	9.90	11.23
5 years p.a.	9.94	11.28
10 years p.a.	7.32	8.4

QSuper Socially Responsible[1]

Suitable for medium to long-term investors who want an approach that considers the investment's impact on society and the environment. Investors in the Socially Responsible option who want exposure to assets with potentially higher returns should also be prepared to accept fluctuations in the value of their investments over the short term.

Objective
To achieve a return of CPI + 3.5% p.a. after fees and tax, measured over rolling 5-year periods.

Risk
Investors should be aware that a negative annual return is expected between 4 and 6 times in every 20 years.

Very low	Low	Low to medium	Medium	Medium to high	**High**	Very high

Fees
Management fees for 2013/2014

Admin fee %[2]	Investment fee %	Investment Performance fee %	Total %
0.22	0.70	0.00	0.92

Asset allocations

	Actual asset allocations (%) Year ended 30 June 2013	Actual asset allocations (%) Year ended 30 June 2014[3]	Ranges (%)
Cash	13	11	0–16
Fixed interest	16	21	10–36
Property	10	9	0–26
Australian shares	32	30	26–40
International shares	25	27	15–30
Alternative assets	2	2	0–6
Infrastructure	–	–	–

Investment returns[5]

	Accumulation account	Income account
Crediting rate (%)		
12 months	13.36	15.30
3 years p.a.	9.78	11.29
5 years p.a.	9.03	10.30
10 years p.a.	n/a[6]	n/a[6]

QSuper 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 fluctuations in the value of their investments over the short to medium term.

Objective
To achieve a return of CPI + 4.5% p.a. after fees and tax, measured over rolling 10-year periods.

Risk
Investors should be aware that a negative annual return is expected between 4 and 6 times in every 20 years.

Very low	Low	Low to medium	Medium	Medium to high	**High**	Very high

Fees
Management fees for 2013/2014

Admin fee %[2]	Investment fee %	Investment Performance fee %	Total %
0.22	0.38	0.14	0.74

Asset allocations

	Actual asset allocations (%) Year ended 30 June 2013	Actual asset allocations (%) Year ended 30 June 2014[3]	Ranges (%)
Cash	3	3	0–15
Fixed interest[4]	6	6	0–20
Property	9	8	0–20
Australian shares	20	22	15–45
International shares	37	36	25–55
Alternative assets	12	16	0–25
Infrastructure	13	10	0–20

Investment returns[5]

	Accumulation account	Income account
Crediting rate (%)		
12 months	17.81	20.12
3 years p.a.	11.79	13.39
5 years p.a.	11.49	13.34
10 years p.a.	7.33	8.73

1 This option is managed externally through AMP Capital Investors Limited. *Asset allocation* ranges are current at the issue date of the Investment Choice guide and are subject to change from time to time. Performance fees for this option are paid by AMP Capital Investors Limited to their multi-managers as part of their investment fee. More information is available in the AMP Responsible Investment Leaders Fund product disclosure statement, which is available from www.ampcapital.com.au **2** Administration fees are capped at $1,540 for Accumulation and Income accounts. **3** This figure has been rounded for member reporting purposes. **4** In the Lifetime option and Ready Made options these assets provide diversification, a hedge against inflation and target yield enhancement. This asset class is also referred to as bonds. **5** Past performance is not a reliable indicator of future performance. **6** This return is not available as this option commenced on 1 January 2005.

QSuper investment options

Your Choice options

Cash

Suitable for short-term investors who want to protect the value of their investments. Investors in the Cash option should also be willing to accept very little short-term real growth.

Objective
To match the return of the UBS Bank Bill index after fees and tax.

Risk
Investors should be aware that a negative annual return is not expected over 20 years.

Very low	Low	Low to medium	Medium	Medium to high	High	Very high

Fees
Management fees for 2013/2014

Admin fee %[1]	Investment fee %	Investment Performance fee %	Total %
0.22	0.06	0.00	0.28

Asset allocations

	Actual asset allocations (%) Year ended 30 June 2013	Actual asset allocations (%) Year ended 30 June 2014	Ranges (%)
Cash	100	100	100
Fixed interest	–	–	–
Property	–	–	–
Australian shares	–	–	–
International shares	–	–	–
Alternative assets	–	–	–
Infrastructure	–	–	–

Investment returns[2]

	Accumulation account	Income account
Crediting rate (%)		
12 months	2.06	2.43
3 years p.a.	2.78	3.26
5 years p.a.	3.26	3.81
10 years p.a.	3.88	4.55

Diversified Bonds

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

Objective
To match the return of a 40% Australian and 60% International Diversified Bond index (hedged in AUD) after fees and tax.

Risk
Investors should be aware that a negative return is expected less than 1 year in every 20 years.

Very low	**Low**	Low to medium	Medium	Medium to high	High	Very high

Fees
Management fees for 2013/2014

Admin fee %[1]	Investment fee %	Investment Performance fee %	Total %
0.22	0.16	0.15	0.53

Asset allocations

	Actual asset allocations (%) Year ended 30 June 2013	Actual asset allocations (%) Year ended 30 June 2014	Ranges (%)
Cash	–	–	0–10
Fixed interest	100	100	90–100
Property	–	–	–
Australian shares	–	–	–
International shares	–	–	–
Alternative assets	–	–	–
Infrastructure	–	–	–

Investment returns[2]

	Accumulation account	Income account
Crediting rate (%)		
12 months	7.37	8.55
3 years p.a.	6.70	7.84
5 years p.a.	8.60	8.90
10 years p.a.	n/a[3]	n/a[3]

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 fluctuations in the value of their investment over the short to medium term.

Objective
To match the return of the MSCI World Developed Markets ex-Australia net dividends reinvested accumulation index, hedged after fees and tax.

Risk
Investors should be aware that a negative annual return is expected between 4 and 6 times in every 20 years.

Very low	Low	Low to medium	Medium	Medium to high	**High**	Very high

Fees
Management fees for 2013/2014

Admin fee %[1]	Investment fee %	Investment Performance fee %	Total %
0.22	0.07	0.00	0.29

Asset allocations

	Actual asset allocations (%) Year ended 30 June 2013	Actual asset allocations (%) Year ended 30 June 2014	Ranges (%)
Cash	–	–	0–10
Fixed interest	–	–	–
Property	–	–	–
Australian shares	–	–	–
International shares	100	100	90–100
Alternative assets	–	–	–
Infrastructure	–	–	–

Investment returns[2]

	Accumulation account	Income account
Crediting rate (%)		
12 months	22.04	25.19
3 years p.a.	14.26	16.42
5 years p.a.	14.09	17.37
10 years p.a.	n/a[3]	n/a[3]

1 Administration fees are capped at $1,540 for Accumulation and Income accounts. **2** Past performance is not a reliable indicator of future performance. **3** This return is not avilable as this option commenced on 1 January 2005.

Your Choice options (continued)

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 fluctuations in the value of their investment over the short to medium term.

Objective

To match the return of the S&P/ASX 200 Accumulation index after fees and tax.

Risk

Investors should be aware that a negative annual return is expected greater than 6 times every 20 years.

Very low	Low	Low to medium	Medium	Medium to high	High	**Very high**

Fees

Management fees for 2013/2014

Admin fee %[1]	Investment fee %	Investment Performance fee %	Total %
0.22	0.07	0.00	0.29

Asset allocations

	Actual asset allocations (%) Year ended 30 June 2013	Actual asset allocations (%) Year ended 30 June 2014	Ranges (%)
Cash	–	–	0 – 10
Fixed interest	–	–	–
Property	–	–	–
Australian shares	100	100	90 – 100
International shares	–	–	–
Alternative assets	–	–	–
Infrastructure	–	–	–

Investment returns[3]

	Accumulation account	Income account
Crediting rate (%)		
12 months	19.17	21.94
3 years p.a.	11.37	13.20
5 years p.a.	11.64	13.09
10 years p.a.	n/a[3]	n/a[3]

1 Administration fees are capped at $1,540 for Accumulation and Income accounts. **2** This figure has been rounded for member reporting purposes. **3** This return is not available as this option commenced on 1 January 2005.

Defined Benefit accounts

About these accounts

The balance of a defined benefit account grows on a formula based on years of service and salary, and may also depend on the level of contributions a member may choose to make.

Contributions are made by both members and employers. Instead of making contributions into a member's individual account, the employer contributes to a pool of funds held by the Queensland Treasury Corporation on behalf of the Queensland Government, which is used to pay the benefits of all Defined Benefit accounts as required. The amount an employer is required to contribute is calculated in accordance with an actuarial formula.

QSuper, and the Queensland Government as the employer sponsor of the Fund, invests the employer money and the money members contribute to ensure there are sufficient funds to pay all member benefits as needed.

Details of the defined benefit investment strategy, objectives and investment returns are reported below. As the calculation of a defined benefit is formula based, it's not directly affected by these returns.

QSuper has several defined benefit accounts – Defined Benefit, State, Police and Parliamentary – all of which are closed to new members.

The Actuarial Report as at 30 June 2013 of all defined benefit style accounts was released in June 2014 and is explained as part of the financial statements. The report indicates the accounts are soundly funded.

Investment objective

The investment objective for the Queensland Government's defined benefit pool of funds and the QSuper defined benefit pool of funds together is to have sufficient funds available to meet all obligations relating to member benefits as they fall due. The asset allocations and investment ranges, described in the below table, are designed to meet this objective.

2013/2014 returns

Asset allocations

	Asset allocations (%) at 30 June 2013	Asset allocations (%) at 30 June 2014[2]	Ranges (%) from 30 June 2014
Cash	33.2	31.2	10-50
Fixed interest	2.0	2.2	0-25
Property	8.5	9.1	5-15
Global shares[1]	27.5	24.7	10-30
Global private equity	5.1	6.4	0-10
Alternative assets	15.8	18.9	5-25
Infrastructure	7.9	7.6	5-15

1 Includes both Australian and international shares.

The member component of a member's benefit receives an annual crediting rate determined by the QSuper Board (which may be positive or negative). This crediting rate is disclosed on the relevant benefit statement for Defined Benefit accounts. The crediting rate which applies to this member component does not affect a member's overall entitlements.

The QSuper Board

The QSuper Board is dedicated to providing members with confidence in their retirement outcomes. To ensure this, the QSuper Board sets objectives, in accordance with governing rules and superannuation legislation, which inform the direction of the Fund. Mechanisms are in place to regularly review performance to optimise outcomes.

Appointment of Trustees

Established under the *Superannuation (State Public Sector) Act 1990* (QSuper Act), the QSuper Board currently comprises nine Trustees, including equal employer and member entity representation as well as one independent trustee. The four employer representatives are nominated by the Queensland Government, while the four member entity representatives are nominated by the Queensland Police Union of Employees, Queensland Nurses' Union, Queensland Teachers' Union and Together Queensland.

Trustees are appointed by the Queensland Treasurer pursuant to the QSuper Act and serve on the Board for a term of up to three years, after which they may be nominated to accept reappointment up to a maximum tenure of nine years. QSuper Trustees are also Directors of QSuper Limited and QInvest Limited.

Independent Trustee

Karl Morris
B.Com, SF FINSIA, FAICD, MSAA
Chairman

Executive Chairman, Ord Minnett Ltd

- Bachelor of Commerce
- Diploma of Applied Finance and Investments
- Fellow, Australian Institute of Company Directors
- Senior Fellow, Financial Services Institute of Australasia
- Master, Stockbrokers Association of Australia

Mr Morris was CEO and Managing Director of Ord Minnett Ltd from 2004 until his appointment as Executive Chairman in 2009.

Mr Morris is also on the Boards of the Stockbrokers Association of Australia (of which he is also a Master Member), the Queensland Theatre Company, the Sydney Catholic Development Fund, Sydney Archdiocesan Investment and Finance Committees and the Brisbane Archdiocesan Investment Committee. He is also a Director of RACQ, Director and Governor of The University of Notre Dame Australia, and Patron of Bravehearts Inc.

Mr Morris was appointed to the QSuper, QSuper Limited and QInvest Limited Boards in December 2013 and was appointed Chairman of these Boards on 1 January 2014. Mr Morris is a member of the Remuneration and Investment Committees.

Employer Representative Trustees

Mr Bob Scheuber, AM
BE, B.Bus, FCPA, FAIM, MAICD
Trustee

- Member of the Order of Australia
- Bachelor of Economics
- Bachelor of Business
- Honorary Doctor of Business
- Fellow, Australian Society of CPAs
- Fellow, Australian Institute of Management
- Member, Australian Institute of Company Directors

Mr Scheuber had an extensive career with Queensland Rail, culminating in six years as Chief Executive Officer. He is currently Chairman and Director of Rail and Transport Health Fund Limited, as well as Chairman and Director of CRC Rail Limited.

Mr Scheuber was appointed to the QSuper and QSuper Limited Boards in December 2007, and was Chairman of these Boards between June 2009 and December 2013. He was appointed to the QInvest Limited Board in December 2013. Mr Scheuber is Chairman of the Investment Committee and a member of the Remuneration Committee.

Walter Ivessa
B.Ec
Trustee

Assistant Under Treasurer, Queensland Treasury and Trade

- Bachelor of Economics
- RG146 Superannuation

Mr Ivessa joined Queensland Treasury in 1981 and was appointed as an Assistant Under Treasurer in February 1996.

Prior to joining Treasury, Mr Ivessa worked for several Commonwealth Government departments in the Australian Capital Territory. He is currently a 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 Chairman of the Audit & Risk Committee and a member of the Remuneration Committee.

Bede King
MAICD
Trustee

Partner, Tobin King Lateef

- Solicitor of the Supreme Court of Queensland
- Associate, Financial Services Institute of Australasia
- Fellow, Australian College of Community Association Lawyers
- Member, Australian Institute of Company Directors

Mr King is currently a partner of Tobin King Lateef Solicitors and Notaries and was admitted as a solicitor of the Supreme Court of Queensland in 1979.

Mr King is a director of Silver Chef Limited, FirstMac Limited, St Aidan's Foundation Limited and Synapse (formerly the Brain Injury Association of Queensland).

Mr King is Vice President of the Australian College of Community Association Lawyers (ACCAL) and an Associate of the Financial Services Institute of Australasia (FINSIA).

Mr King was appointed to the QSuper and QSuper Limited Boards in February 2013 and to the QInvest Limited Board in December 2013. He is currently Chairman of the Product, Services & Advice Committee and a member of the Remuneration Committee.

Melissa Babbage
B. App. Sc., M. Comm, GAICD
Trustee

Financial Services Professional

- Master of Commerce (Finance and Economics)
- Bachelor of Applied Science (Physiotherapy)
- Graduate, Australian Institute of Company Directors

Ms Babbage is a highly experienced financial services professional with a 19 year investment banking career in both international and domestic financial markets. In early 2013, Ms Babbage was appointed as a director on the Australian Board of Swiss Re Life & Health Australia.

Ms Babbage is a non-executive director of Athletics Australia.

Ms Babbage was appointed to the QSuper and QSuper Limited Boards in June 2013, and to the QInvest Limited Board in December 2013. She is currently a member of the Remuneration Committee and Deputy Chairman of the Investment Committee.

Member Representative Trustees

Mick Barnes
JP (Qual), MAICD
Trustee

General Secretary, Queensland Police Union of Employees

- Justice of the Peace (Qualified) Queensland
- Member, Australian Institute of Company Directors

Mr Barnes is General Secretary of the Queensland Police Union of Employees (QPUE). Mr Barnes is an experienced law enforcement officer, having served for more than 25 years with the Queensland Police Service.

Mr Barnes was appointed to the QSuper and QSuper Limited Boards in June 2009 and to the QInvest Limited Board in December 2013. He is currently a member of the Audit & Risk, Remuneration and Product, Services & Advice Committees.

Beth Mohle
B.Arts., GradCert (Health Economics), RN.
Trustee

Secretary, Queensland Nurses' Union

- Bachelor of Arts
- Certificate in General Nursing
- Postgraduate Certificate in Health Economics
- Certificate in Superannuation Management
- Certificate of Trusteeship (Superannuation)
- Registered Nurse

Ms Mohle is also Senior Vice President of the Queensland Council of Unions (QCU). Prior to commencing work at the QNU, Ms Mohle worked as a registered nurse at the Royal Brisbane Hospital.

Until recently, Ms Mohle was also 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 appointed to the QSuper, QSuper Limited and QInvest Limited Boards in December 2013, and is currently Chairman of the Remuneration Committee and a member of the Investment Committee.

Jeff Backen
Dip.T., B.Ed., M.Ed., GAICD
Trustee

Assistant Secretary, Queensland Teachers' Union

- Diploma of Teaching (Primary)
- Bachelor of Education
- Masters of Education
- Certificate of Trusteeship (Superannuation)
- Graduate, Australian Institute of Company Directors

Mr Backen initially worked as a primary school teacher and has more recently held a number of roles in the QTU, the Queensland College of Teachers and the Department of Education, Training & Employment.

Mr Backen has previously been a director of Teachers Union Health fund (TUH), a trustee of the QTU Staff Superannuation Fund and TUH Staff Superannuation Fund, and also was a deputy QSuper Trustee from 1998 to 2009.

Mr Backen was appointed to the QSuper, QSuper Limited and QInvest Limited Boards in December 2013, and is currently a member of the Audit & Risk and Remuneration Committees.

Ruth McFarlane
DipMgt.
Trustee

Senior Vice-President, Together Queensland

- Diploma of Management
- Certificate IV in Quality Management (General)
- Foundation Certificate in IT Service Management
- Certificate IV in Workplace Training

Ms McFarlane is a life member of Together Queensland. She is also the Systems Implementation Training & Support Officer (Queensland Health) at Rockhampton Hospital.

In 2006, Ms McFarlane represented the Queensland Council of Unions (QCU) on its delegation to China and in 2008 was voted the Australian Services Union (ASU) Emma Miller Recipient in recognition of her ongoing commitment to the union movement.

Ms McFarlane was appointed to the QSuper, QSuper Limited and QInvest Limited Boards in December 2013, and is currently a member of both the Remuneration and Product, Services & Advice Committees.

Member Representative Trustees

During the 2013/2014 financial year, the following Trustees also served on the QSuper Board:

- Ms Karen Peut (served from May 1985 to November 2013)
- Mr Steve Ryan (served from June 1994 to November 2013)
- Mr Tom Jeffers (served from August 2007 to November 2013)
- Ms Gay Hawksworth (served from December 2007 to November 2013)
- Mr Peter Henneken (served from December 2007 to November 2013)
- Ms Amanda Richards (served from September 2008 to October 2013)
- Ms Debbie Best (served from September 2011 to November 2013)

Board responsibilities

The QSuper Board meets on a regular basis to discuss a range of topics such as the strategic direction of the QSuper Fund, investment strategy, product offering and service delivery.

The QSuper Board is committed to complying with its legislative and regulatory obligations, as well as fulfilling its fiduciary responsibilities. In accordance with industry standards and regulatory requirements, the QSuper Board has a clearly defined, transparent framework for the division of responsibilities in the oversight and operation of the QSuper Fund.

Board remuneration and indemnification

During the 2013/2014 financial year, the QSuper Board was remunerated in accordance with rates approved by the Queensland Treasurer, in consultation with the QSuper Board. This remuneration represents an all-inclusive fee for all QSuper Board-related activities (including committee memberships, as well as QSuper Limited and QInvest Limited Directorships). The annual fee is not linked to QSuper Fund membership numbers, funds under management or the investment performance of the QSuper Fund. QSuper Board members who are also active public sector employees are not remunerated for performing their Trustee duties.

The QSuper Act provides for the indemnification of the QSuper Board. The QSuper Board is covered by indemnity insurance taken out by the Fund.

Board meeting attendance 2013/2014 financial year

Karl Morris	6	6
Bob Scheuber	11	12
Walter Ivessa	11	12
Bede King	10	12
Melissa Babbage	10	12
Mick Barnes	9	12
Beth Mohle	7	7
Jeff Backen	7	7
Ruth McFarlane	7	7
Debbie Best	5	5
Peter Henneken	5	5
Steve Ryan	5	5
Karen Peut	5	5
Tom Jeffers	4	5
Gay Hawksworth	5	5
Amanda Richards	3	3

- Number of Board meetings attended
- Number of Board meetings the Trustee was eligible to attend

Our achievements

Segregation of pension assets

In March 2014, in an industry-leading move, we segregated the assets held for Income accounts from those held for Accumulation accounts to better tailor the investment strategies of both accounts to cater for differing tax treatments. This move has been taken with the aim of providing better outcomes for members. This segregation means that the way investment fees are calculated may change going forward.

QSuper Board committees

The QSuper Board has established a number of committees to ensure it meets its corporate governance responsibilities. These committees generally make recommendations for decision and action by the QSuper Board, which retains collective responsibility for decision making.

Each committee is guided by a charter which sets out matters relevant to its composition, responsibilities and administration. While committees have specific membership, all Trustees are able to attend committee meetings. In addition, the QSuper Board has appointed a number of specialist committee members to its Investment, Audit & Risk and Product, Services & Advice committees.

The QSuper Board utilised the following committees in 2013/2014:

Audit & Risk Committee at 30 June 2014

Members

Mr Walter Ivessa (Chairman)
Mr Jeff Backen
Mr Mick Barnes
Mr Stephen Maitland

The Audit & Risk Committee assists the QSuper Board in discharging its corporate governance and administrative responsibilities in relation to the following matters:

- financial reporting
- internal controls
- risk management systems
- anti-money laundering
- licensing and other legal and regulatory issues
- investment administration
- compliance
- internal and external audit functions.

Mr Stephen Maitland is an external committee member, selected for his specialist knowledge of superannuation, finance and risk management matters.

Remuneration Committee at 30 June 2014

Members

This committee has common membership with that of the full Board.

The Remuneration Committee provides assistance to the QSuper Board in fulfilling its fiduciary oversight responsibility to members by ensuring that QSuper and its related entities have a clearly articulated appropriate remuneration framework that fairly and responsibly rewards individuals having regard to performance, risk management, legislative requirements and the highest standards of governance.

Investment Committee at 30 June 2014

Members

Mr Bob Scheuber (Chairman)
Ms Melissa Babbage (Deputy Chairman)
Ms Lorraine Berends
Mr Ian Macoun
Ms Beth Mohle
Mr Karl Morris
Mr Michael Rice

The Investment Committee provides assistance to the QSuper Board in discharging its investment oversight in relation to the QSuper Fund, including:

- recommending to the Board the investment objectives for the Fund and its various member investment choice (MIC) options
- recommending to the Board the investment policy for the Fund
- reviewing the adequacy of QSuper MIC options and their ability to meet member retirement needs
- recommending the investment delegations for QSL management
- monitoring investment performance, including the performance of external investment managers
- discussing investment issues with the Board and/or management (and independent parties, if and when the need arises).

Ms Lorraine Berends, Mr Ian Macoun and Mr Michael Rice are external committee members selected for their specialist knowledge of superannuation and investment matters.

Product, Services & Advice Committee at 30 June 2014

Members

Mr Bede King (Chairman)
Mr Mick Barnes
Ms Ruth McFarlane
Ms Cathy McGuane

The Product, Services & Advice Committee's role includes overseeing:

- the Board's strategic focus on marketing initiatives across the Group including the development and implementation of a comprehensive Group Marketing strategy
- development and continued enhancement of the suite of products and services across the QSuper Group
- members' experience (including service, advice, information and product) with the Group in order to meet the diversity of QSuper member and employer needs
- education and advice activities provided by the QSuper Group to both QSuper members and QInvest clients.

Ms Cathy McGuane is an external committee member selected for her specialist knowledge of superannuation and marketing matters.

Our achievements

An improved Member Online experience

An enhanced Member Online system was rolled out in July 2013, offering members personalised access to their super with the added flexibility of accessing their account when it suits them. As well as a new look and feel, the new platform allows members to access their account and balance, update personal details, view a transaction history and manage investments through an easy-to-use, secure online system. This year Member Online reached a milestone with 100,000 members registered.

Specialist committee members at 30 June 2014

Lorraine Berends
FIAA, B.Sc, FASFA, MAICD
Investment Committee Member

Principal, Client Service and Marketing, Marvin & Palmer Associates, Inc.

- Bachelor of Science
- Fellow, Institute of Actuaries of Australia
- Fellow, Association of Superannuation Funds of Australia
- Member, Australian Institute of Company Directors

Ms Berends joined Marvin & Palmer Associates, Inc. (a US- based global equity manager) in May 2000 and is responsible for growing Marvin & Palmer's business throughout Asia. She has worked for over 30 years in the pension and investment industries and possesses extensive experience in both the investment management and superannuation fields.

Ms Berends served on the Board of the Association of Superannuation Funds of Australia (ASFA) for 12 years.

Ms Berends was appointed a member of the Investment Committee in March 2010.

Ian Macoun
B.Com, M.Fin Mgmt, CFA, FCPA, FAICD, Dip FS (FP)
Investment Committee Member

Chairman/Managing Director, Pinnacle Investment Management

- Bachelor of Commerce
- Master of Financial Management
- CFA Charterholder
- Diploma in Financial Services (Financial Planning)
- Fellow, Australian Society of CPAs
- Fellow, Australian Institute of Company Directors

Mr Macoun has broad investment, financial and business experience including approximately 20 years as Chief Executive Officer/Chief Investment Officer of a number of investment management firms. He held previous roles as the founding Chief Executive Officer of QIC, founding Managing Director of Perennial Investment Partners and the Managing Director/Chief Investment Officer of Westpac Investment Management.

Mr Macoun was appointed a member of the Investment Committee in January 2009.

Specialist committee members at 30 June 2014 continued

Cathy McGuane
GAICD, DipFin.
Product, Services & Advice Committee Member

Executive Manager, Member Services, TUH

- Graduate, Australian Institute of Company Directors
- Diploma in Financial Services (Financial Planning)
- Certificate Superannuation Management

Ms McGuane is currently the Executive Manager Member Services for TUH with primary responsibility for leading and managing the marketing, business development, customer contact and member maintenance functions of the organisation. Prior to joining TUH, Ms McGuane was the Client Relationship Manager for Queensland for HESTA Superannuation Fund. Ms McGuane is also the author of Financial Fitness for Kids guides, which focus on helping parents teach their children about money.

Ms McGuane was appointed a member of the Product, Services & Advice Committee in April 2014.

Stephen Maitland, OAM, RFD
B Ec, M Bus, LL M, FCPA, FAICD, FCIS, F.Fin, FAIM, JP (Qual)
Audit & Risk Committee Member

Principal, Delphin Associates

- Medal of the Order of Australia
- Reserve Force Decoration
- Bachelor of Economics
- Master of Business
- Master of Laws
- Fellow, Australian Society of CPAs
- Fellow, Governance Institute of Australia
- Senior Fellow, Financial Services Institute of Australasia
- Fellow, Australian Institute of Management
- Fellow, Australian Institute of Company Directors
- Justice of the Peace (Qualified Queensland

Mr Maitland has over 35 years' experience in the banking and finance industries and is a qualified accountant and company secretary.

Mr Maitland is currently a non-executive Director of Australian Unity Limited, the Royal Automobile Club of Queensland (RACQ) Limited, RACQ Insurance, Centrepoint Alliance Limited and several private companies. He is a Councillor of the Queensland Division of CPA Australia, and Chair of the Audit and Risk Committee of the Public Trustee of Queensland.

Mr Maitland was appointed a member of the Audit & Risk Committee in January 2011.

Michael Rice
FIAA
Investment Committee Member

Chief Executive Officer, Rice Warner

- Fellow, Institute of Actuaries of Australia

Mr Rice has extensive experience in the financial services industry, specialising in providing strategic advice to financial institutions, fund managers, government agencies, industry associations and large superannuation funds. He writes and speaks frequently on topical issues affecting the fund management, life insurance and superannuation industries.

Mr Rice was appointed to the Investment committee in January 2009, and was Chairman of this Committee between January 2009 and June 2013.

Our people

At QSuper we embrace diversity and inclusion in the workplace as a source of strength. This is not only about increasing visible individual differences within our workforce, but more importantly it's about the strategic advantage that comes from including a wide variety of individual attributes, capabilities, ideas and insights and experiences in our decision making, problem solving and policy development.

Headed by Chief Executive Officer Rosemary Vilgan, the QSuper Limited Executive Committee comprises of eight executives with a broad range of experience across both public and private sectors and various industries. Together QSuper's Executive Committee harnesses the skills, breadth of knowledge and experience to lead QSuper into the future.

Chief Executive Officer
Rosemary Vilgan

Chief Strategy Officer Michael Pennisi	Chief Officer Advice & QInvest Stephen Cullen	Chief Officer Member Administration Matthew Halpin	Chief Investment Officer Brad Holzberger	Chief Financial Officer Michael Cottier	Chief Information & Technology Officer David Bowen	Chief Officer HR & Internal Communications Paul Landy
Strategic Portfolio Office	Member Services	Service Delivery	Investment Strategy	Finance	Architecture & Planning	HR Services
Group Strategy & Product	Advice	Technical Services	Capital Markets	Taxation Services	I&T Delivery	HR Business Partnering
Group Marketing	Business Development & Distribution	Group Life Insurance	Funds Management	Group Risk & Compliance	Business Engagement & Governance	HR Strategy & Internal Communications
Customer Intelligence	Change & Advice Experience	Change & Service Experience	Policy & Governance	Investment Operations		Organisational Development & Learning
	Mortgages		Investment Liabilities	General Counsel / Legal		

Our achievements

QSuper Leadership Academy opportunity

The QSuper Leadership Academy was rolled out in September 2013 with more than 80 leaders across QSuper participating in the program. The Academy demonstrates QSuper's commitment to supporting and developing our leaders and gives employees the opportunity to further develop their leadership and management skills to support the leadership competencies that QSuper needs now and into the future.

Corporate governance

QSuper's Board of Trustees is committed to achieving the best possible retirement outcomes for our members, in accordance with governing rules and superannuation legislation. To ensure we realise this goal, the QSuper Board sets objectives to guide the operation and management of the Fund, and regularly reviews performance.

Risk management

The QSuper Board takes its risk management responsibilities seriously, and devotes considerable effort to regularly reviewing and enhancing its Risk Management framework.

The QSuper Board holds an annual risk workshop during which existing and emerging risks are considered in terms of their potential impact on strategic objectives, and in line with the changing internal and external environment. QSuper's risk profile is continually monitored, and new risks or changes to material risks may be assessed by the QSuper Board as required.

Internal and external audit

Our internal audit function is a key component of our corporate governance, promoting effective and efficient management and assisting with managing risk.

The external auditor, the Auditor-General of Queensland, audits both the QSuper Fund's and QSuper Limited's financial statements.

The Auditor-General also relies on various aspects of the work performed by the internal auditor, in addition to reviewing the QSuper Board's internal audit and compliance programs. The Auditor-General makes recommendations regarding issues warranting further attention. Any such recommendations are considered and acted upon, following assessment by management, the Audit & Risk Committee and the QSuper Board.

Compliance

QSuper's Compliance Framework is based on Australian Standard AS 3806 - 2006 Compliance Programs. It has been developed to ensure that QSuper is aware of each entity's compliance obligations, to measure the adequacy of controls to meet those obligations and to support the early detection, reporting and management of issues, consistent with regulatory and legislative requirements and key policies and contracts.

Governance

QSuper's governance framework outlines the delegations and responsibilities among the QSuper Board, QSuper Limited and QInvest Limited, executive, management and staff and other stakeholders, and spells out the rules and procedures when making decisions on a range of matters.

Our achievements

Meeting MySuper and FOFA requirements

In July 2013 QSuper's MySuper licence was approved by the Australian Prudential Regulation Authority (APRA) and we managed the implementation of the Australian Government's Future of Financial Advice (FOFA) reforms which impacted our finance service offered through QInvest[1] Limited.

1 QInvest Limited (ABN 35 063 511 580, AFSL and Australian Credit Licence number 238274) (QInvest) is ultimately owned by the QSuper Board (ABN 32 125 059 006) as trustee for the QSuper Fund (ABN 60 905 115 063), and is a separate legal entity which is responsible for the financial services and credit services it provides.

Managing members' super

QSuper's investment arrangements

QSuper Board's investment philosophy

Through the QSuper Board's core investment principles, the QSuper Fund aims to help members achieve their retirement outcomes and reach retirement adequacy. To this end, the QSuper Board sets a return objective for each investment option of the Fund that reflects its investment principles and underscores its approach to embrace diversification in managing volatility.

Who invests your money?

The QSuper Board has built up a strong in-house investments capability over the past five years, where QSuper Limited acts as one of our investment managers. In addition, the QSuper Board utilises external investment managers, both through direct and indirect arrangements.

These investment managers are regularly reviewed and so change from time to time, but include direct engagements with QIC Ltd and State Street Global Advisors, Australia Ltd.

Manager arrangements

Asset sector	Manager
Cash	QIC Ltd
	QSuper Limited
	State Street Global Advisors, Australia Ltd
Global fixed interest	QIC Ltd
	QSuper Limited
Listed equities	
Australia	DFA Australia Ltd
	State Street Global Advisors, Australia Ltd
	Vanguard Investments Australia Limited
International	DFA Australia Ltd
	State Street Global Advisors, Australia Ltd
Unlisted assets	
Real estate	AEW Europe LLP
	Invesco Advisors Inc
	Jamestown Premier GP, LP
	QIC Ltd
	QSuper Limited
Infrastructure	Alinda Capital Partners
	Global Infrastructure Partners
	QIC Ltd
	QSuper Limited
Private equity	Partners Group
	QIC Ltd
	Northwater Capital Management Inc
Alternatives	AQR Capital management LLC
	Bridgewater Associates, LP
	Global Endowment Management, LP
	Graham Capital Management, LP
	Makena Capital Management LLC
	Principal Global Investors
	QSuper Limited
Other	AMP Capital
	State Street Bank and Trust Company

Allocation of investment returns

All QSuper Accumulation and QSuper Income accounts are unitised. This means these accounts are expressed as a number of units, so the value of your benefit is determined by the number of units held and the daily price of each investment option.

Each investment option has a unit price that is set daily, and which is net of fees and taxes. These unit prices change daily to reflect investment returns, and positive and negative changes in market value.

QSuper's unit prices are a reflection of the movement in the value of the portfolio's underlying assets from two business days earlier. The QSuper Board has the discretion to suspend unit prices if further validation of a unit price is required. If the QSuper Board exercises this discretion, information will be made available on the QSuper website.

Single assets valued above 5% of total funds under management

At 30 June 2014, the QSuper Fund had an investment in the QS High Duration Bonds Trust which represented 6.9% of total assets of the QSuper Fund. The investments within this Trust are diversified, with no single underlying asset valued at more than 5% of total assets of the QSuper Fund.

Monitoring QSuper's investment option asset and currency allocation ranges

QSuper's investment options are monitored daily to ensure that any variations from the prescribed asset allocation or currency ranges are addressed in a timely manner.

Monitoring QSuper's external investment management agreements

QSuper monitors the compliance of external managers against specific Investment Management Agreements (IMAs). Breaches identified are raised with the Manager for timely resolution and are reported in accordance with existing Board policies and the Incident Reporting Process.

Our achievements

Introduction of an administration fee cap

As part of QSuper's commitment to provide great value to members, we introduced a cap of $1,540 on the amount members pay in annual administration fees, effective this financial year. The cap is applied across all of a member's Accumulation and Income accounts and is paid in July of the next financial year, provided a member is still with the fund at the time the rebate is applied.

Our investment policies

Derivatives policy

The QSuper Board uses derivative instruments as part of its overall investment strategy.

A derivative is a financial instrument or liability whose value depends on or is derived from other assets or indices (termed 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 composites of these instruments.

The QSuper Board has policies and controls in place to ensure the appropriate use of derivatives, 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 the Fund (other than cash) that the Trustee has charged as security for derivatives investments made by the Trustee.

At no point during the 2013/14 financial year did the market value of the assets that were subject to a charge in relation to a derivatives contract relative to total assets of the Fund exceed 5%.

In-house asset policy

The *Superannuation Industry (Supervision) Act 1993* details the 'in-house' asset rules that are designed to ensure the security of investments set aside for the provision of members' retirement incomes is not dependent on the success of the business activities of an employer, or other related party. In summary, these 'in-house' assets are not to exceed 5% of total assets.

During the 2013/14 financial year, QSuper did not have more than 5% 'in-house' assets at any time.

Our reserves

General Reserve

The primary purpose of the General Reserve is to ensure there is adequate provisioning to meet QSuper's current and future liabilities associated with administration costs, strategic initiatives and operational risk.

The General Reserve operates under a policy approved by the QSuper Board, which sets and annually reviews the investment strategy for the General Reserve. In setting the investment strategy for the General Reserve, consideration is given to the purpose of the Reserve, the nature of underlying liabilities and investment risk.

At 30 June 2014, 40% of the General Reserve was invested in the Balanced investment option[1], and 60% was invested in the Moderate investment option.

General Reserve	$m
30 June 2014	565
30 June 2013	308
30 June 2012	166
30 June 2011	421
30 June 2010	350

Insurance Reserve

The Insurance Reserve is maintained for the purpose of holding QSuper's Accumulation account insurance premiums and meeting the Fund's self-insurance obligations.

The State Actuary determines the adequacy of the Insurance Reserve and reviews the self-insurance arrangements annually.

The Insurance Reserve operates under a policy approved by the QSuper Board, and is monitored and reviewed by management monthly.

The Insurance Reserve is currently invested in the Cash investment option.

Insurance Reserve	$m
30 June 2014	247
30 June 2013	209
30 June 2012	193
30 June 2011	171
30 June 2010	180

1 Prior to 16 December QSuper Balanced was known as the QSuper Balanced (Default) investment option.

Unallocated Contributions Reserve

The purpose of the Unallocated Contributions Reserve is to bear the risk of any movement in investment earnings during the contributions allocation process. The Unallocated Contributions Reserve is currently invested in the Balanced investment option.[1]

Unallocated Contributions Reserve	$m
30 June 2014	9
30 June 2013	5
30 June 2012	19
30 June 2011	19
30 June 2010	8

Operational Risk Financial Requirement Reserve

The Operational Risk Financial Requirement (ORFR) Reserve was established as a separate reserve during the 2012/2013 year to meet new APRA Prudential Standards effective from 1 July 2013.

The purpose of the ORFR Reserve is to ensure that the QSuper Fund has adequate financial resources to cover operational risks where one or more beneficiaries have sustained a loss or have been deprived of a gain to which they otherwise would have been entitled.

The ORFR Reserve operates under a policy approved by the QSuper Board, which sets and annually reviews the investment strategy for the ORFR Reserve. The ORFR Reserve is currently invested in the Balanced option.[1]

Operational Risk Financial Requirement Reserve	$m
30 June 2014	134
30 June 2013	111

VPP (closed) investment option

QSuper provides members of the closed Voluntary Preservation Plan (VPP) with a capital guarantee that the earning rate for a full financial year will not be negative. In return for this capital guarantee, a premium of 0.35% is levied on VPP (closed) investment option member accounts on 30 June each year. This option is invested in the Moderate investment option.

The VPP crediting rate for the 2013/2014 financial year was applied to the VPP (closed) investment option member accounts before the capital guarantee was debited. The VPP crediting rate for the 2013/2014 financial year was 8.20%.

1 Prior to 16 December QSuper Balanced was known as the QSuper Balanced (Default) investment option.

Important information

More information

You can access this annual report electronically from our website at **qsuper.qld.gov.au/annualreport.**

You can also request to receive a printed copy of this report by calling **1300 360 750**.

QSuper's privacy policy

QSuper's privacy policy is available by contacting QSuper or accessing the QSuper website at **qsuper.qld.gov.au.**

Enquiries and complaints

QSuper has procedures in place to ensure all enquiries and complaints are dealt with fairly and promptly.

If you have a complaint about QSuper, please call us on 1300 360 750 (or +617 3239 1004 if calling from overseas). Alternatively you can write to the Enquiries and Complaints Officer, QSuper, GPO Box 200, Brisbane QLD 4001 and mark your letter 'notice of enquiry or complaint'.

If the matter is not resolved within 90 days, or if you are unsatisfied with our response, you can take the matter to the Superannuation Complaints Tribunal (SCT) – an independent body set up by the Australian Government to assist members only after they have made use of their superannuation fund's internal complaints procedure. If you want to find out whether the SCT is able to deal with your complaint, you can contact them on 1300 884 114 or visit their website at sct.gov.au

Surcharge

The superannuation contributions surcharge was reduced to 0% from 1 July 2005. Any existing surcharge liabilities remain payable to the Australian Taxation Office and will be deducted from an entitlement when a benefit is claimed from QSuper, or is rolled over to another complying superannuation fund. Any advance instalments of surcharge will be drawn from a member's account or entitlement. Any surcharge liability recorded for a member's account is on their benefit statement.

Major service providers

Fund Administrator
QSuper Limited - ABN 50 125 248 286,
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 of Trustees as trustees for the QSuper Fund:

- QSuper Limited – ABN 50 125 248 286, AFSL 334546
- QIC Limited – ABN 95 942 373 762
- Hancock Natural Resource Group Australasia Pty Limited – ABN 82087766587 and Hancock Natural Resources Group, Inc.
- AEW Europe LLP and AEW Europe SA
- AMP Capital Investors Limited – ACN 001 777 591
- Graham Capital Management, L.P
- GIM Advisory Services LLC
- DFA Australia Limited – ABN 46 065 937 671
- State Street Global Advisors, Australia Limited – ABN 42 003 914 225
- State Street Bank and Trust Company – ABN 70 062 819 630
- Invesco Advisers, Inc.
- Vanguard Investments Australia Limited – ABN 72 072 881 086
- Principal Global Investors (Australia) Limited – ABN 45 102 488 068

Administrative Services

- Westpac Banking Corporation – ABN 33 007 457 141
- SuperChoice Services Pty Limited – ABN 78 109 509 739
- Interactive Pty Ltd – ABN 17088 952 023
- Commonwealth Bank of Australia – ABN 48 123 123 124

Internal Audit Services

- PricewaterhouseCoopers – ABN 52 780 433 757

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 QSuper's assets, thereby separating the fund managers from the physical securities.

- State Street Australia Limited – ABN 21 002 965 200
  Level 14, 420 George Street
  Sydney NSW 2000

Fund changes for 2013/2014

During the 2013/2014 financial year the following changes were made to the *Superannuation (State Public Sector) Deed 1990*:

- Simplified and consolidated the QSuper Board's insurance powers, enabling the provision of death and total and permanent disability insurance (TPD) to more members from 16 December 2013.
- Removed the pre-existing condition exclusion for default death and TPD cover for Defined Benefit members and reduced the exclusion term from 7 to 5 years for Income Protection cover. These were effective from 16 December 2013 so the changes were consistent with the Accumulation account insurance arrangements.
- Introduced an express power for the QSuper Board to change the investment objective, strategy or policy that applies to whole or part of a member's benefit, subject to prescribed disclosure requirements.
- Broadened the provision to allow the QSuper Board to act on any release authorities issued under taxation legislation.
- Made minor technical amendments and consequential changes to definitions in line with Commonwealth superannuation legislation.

During the 2013/2014 financial year we made the following changes within the Fund. Members were notified about the changes, and you can find information at **qsuper.qld.gov.au**:

- Following amendments to the QSuper Act, the composition of the Board of Trustees was amended with the number of Trustees reduced from 12 to nine. The term of office was set at three years with re-appointment subject to eligibility to serve for a maximum of nine years. The Board of Trustees now comprises four employer representative trustees, four member representative trustees and one independent trustee. As part of these changes, Karl Morris was appointed as Chairman of the Board on 1 January 2014. For a full list of the trustees see page 16.
- Introduced QSuper Lifetime as our MySuper product and replaced the QSuper Balanced (Default) option as our default investment option for the Accumulation account. QSuper Lifetime adopts a life-cycle approach to investment.
- QSuper Lifetime increased the number of life cycle groups from three to eight.
- Renamed the QSuper Pension account to Income account, and introduced fortnightly payments.
- Closed the Indexed Mix investment option and made changes to the asset allocations for investment options QSuper Moderate, QSuper Aggressive and Diversified Bonds.
- Changed some Advice fee arrangements for accessing personal advice through QInvest.[1]
- Portability provisions for the Fund came into effect from 1 July 2013.
- Revised insurance cover, benefits and premiums for most Accumulation account members.
- Removed the limit on the number of investment switches.
- Removed the limit on the number of lump sum withdrawals and lowered the minimum withdrawal amount for Income account withdrawals to $1,000.
- Introduced a member administration fee cap of $1,540 per annum.
- From 1 July 2013, QSuper members allowed to make a binding death benefit nomination for their QSuper account/s.

Changes to risk ratings

All QSuper investment options are categorised by a Standard Risk Measure (SRM) rating. The rating is designed to give members the ability to compare our investment options within and across funds, so they can make an informed investment choice decision. QSuper reviews these ratings annually to ensure each option reflects the appropriate risk category. As part of our recent review we are adjusting the risk band of three options as outlined in the table below.

Investment option	Current risk band	New risk band	Current estimated number of negative annual returns (every 20 years)	New estimated number of negative annual returns (every 20 years)
Moderate	3 (low to medium)	2 (low)	Between one and two times	Less than once
Lifetime - Focus 1	5 (medium to high)	4 (medium)	Between three and four times	Between two and three times
Lifetime - Sustain 1	1 (very low)	2 (low)	Less than 0.5 times	Less than once

In each case, the change to these risk bands reflects the QSuper Board's approval of changes in asset allocations for the above investment options. The new risk bands will apply from 1 September 2014.

For more information about SRMs and how they are calculated, please see **qsuper.qld.gov.au/srm**. It is important to remember a standard risk measure is only one consideration when making an investment choice and you can speak to a QInvest financial adviser for financial advice tailored to your personal situation.

1 QInvest Limited (ABN 35 063 511 580, AFSL and Australian Credit Licence number 238274) (QInvest) is ultimately owned by the QSuper Board (ABN 32 125 059 006) as trustee for the QSuper Fund (ABN 60 905 115 063), and is a separate legal entity which is responsible for the financial services and credit services it provides.

Financial statements

for the year ended 30 June 2014

Contents

Statement of Net Assets

as at 30 June 2014

	Notes	30/06/14 $m	30/06/13 $m
ASSETS			
Investments			
Cash and short term deposits	5	8,093	2,094
Equities	5	16,746	14,964
Listed trusts	5	851	255
Derivative assets	5	390	122
Margin accounts	5	492	334
Other interest bearing securities	5	3,188	8,176
Unlisted unit trusts	5	21,572	16,896
Unlisted partnerships	5	–	821
Investments in service providers		85	84
		51,417	**43,746**
Other assets			
Cash		46	37
Contributions receivable		95	84
GST receivable		5	1
Sundry receivables and prepayments		339	654
		485	**776**
TOTAL ASSETS		**51,902**	**44,522**
LIABILITIES			
Benefits payable		10	17
Administration and investment management fees payable		46	34
Sundry payables		73	12
Derivative liabilities	5	112	667
Current tax liabilities	13	54	18
Deferred tax liabilities	13	242	(55)
Provision for superannuation contributions surcharge		56	61
TOTAL LIABILITIES		**593**	**754**
NET ASSETS AVAILABLE TO PAY BENEFITS		**51,309**	**43,768**
Represented by:			
Reserves	8	955	633
Accumulated member funds	9	50,354	43,135
TOTAL LIABILITY FOR ACCRUED BENEFITS		**51,309**	**43,768**

The Statement of Net Assets should be read in conjunction with the accompanying notes

Statement of Changes in Net Assets

for year ended 30 June 2014

	Notes	30/06/14 $m	30/06/13 $m
Investment revenue			
Dividends		1,402	868
Distributions from unit trusts		286	1,382
Change in net market value of investments	10	4,005	2,320
Interest revenue		60	48
Other income		8	7
		5,761	**4,625**
Contribution revenue			
Employer contributions	11	4,627	5,537
Member contributions		971	911
Transfers from other funds		798	682
		6,396	**7,130**
Total revenue		**12,157**	**11,755**
Expenses			
Benefits paid		3,392	3,178
Administration fee	14	156	125
Direct investment expenses		125	93
Insurance premiums	17	36	7
Financial planning fee	14	16	18
Other expenses		8	11
Total expenses		**3,733**	**3,432**
Change in net assets before income tax		**8,424**	**8,323**
Less: Income tax expense	13	883	611
Change in net assets after income tax		**7,541**	**7,712**
NET ASSETS AVAILABLE TO PAY BENEFITS at the beginning of the financial year		**43,768**	**36,056**
NET ASSETS AVAILABLE TO PAY BENEFITS at the end of the financial year		**51,309**	**43,768**

The Statement of Changes in Net Assets should be read in conjunction with the accompanying notes

Notes to the financial statements

for year ended 30 June 2014

Note 1 Operation of QSuper

The State Public Sector Superannuation Scheme ('QSuper'/'Fund') has been established by the *Superannuation (State Public Sector) Act 1990* to provide benefits for current and previous Queensland public sector employees and employees of Queensland Government entities, such as departments, statutory bodies and government owned enterprises. The Fund consists of Defined Benefit, Accumulation and Pension 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 Fund employers and have a break in service of less than one month will be permitted to continue contributing to their Defined Benefit account.

The Fund receives all member superannuation contributions including transfers in from other superannuation funds. The Fund also receives employer contributions through a mixture of regular employer contributions, and payments from a reserve managed by the Queensland Treasury Corporation on behalf of the Queensland Government. Contribution rates in relation to the Fund's defined benefit funding are determined by the Queensland Treasurer on the advice of the State Actuary. The funding arrangements are explained in Note 12.

The Fund obtained its RSE licence from the Australian Prudential and Regulatory Authority (APRA) on 9 July 2009 and its registration number is R1073034.

QSuper received approval from APRA on 12 July 2013 to provide a MySuper product in order to comply with the Government's Stronger Super and MySuper legislative and regulatory requirements.

The Fund is administered by QSuper Limited – ABN 50 125 248 286 (refer Note 14 (d)), a controlled entity.

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

Note 2 Basis of preparation

(a) General Statement of Compliance

These financial statements are a general purpose financial report for the Fund, which has been prepared in accordance and complies with the provisions of the *Superannuation (State Public Sector) Act 1990*, *Superannuation Industry (Supervision) Act 1993* and regulations, Australian Accounting Standard AAS 25 Financial Reporting by Superannuation Plans (AAS 25), other applicable Australian Accounting Standards and interpretations of the Australian Accounting Standards Board (AASB), and the provisions of the *Superannuation (State Public Sector) Deed 1990*.

The financial statements have been prepared on the basis required by AAS 25, which provides specific measurement requirements for assets and liabilities that are not readily apparent from other sources. 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.

The financial statements were authorised for issue by the Board of directors on 27 August 2014.

Accounting policies

Unless otherwise stated, all accounting policies applied are consistent with those of the prior year.

The Fund has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2013 with no material impact:

- AASB 11 Joint Arrangements: Approach for determining whether parties are a joint arrangement and should partially consolidate or whether they are a joint venture and use the equity method for accounting for their interest.
- AASB 10 Consolidated Financial Statements: Specifies principles of control, details accounting requirements for consolidation.
- AASB 12 Disclosure of Interests in Other Entities: Disclosure requirements for entities that hold interests in subsidiaries, joint arrangements and associates.
- AASB 13 Fair Value Measurement: Explains how to measure Fair Value and expands the disclosure requirements in relation to fair value measurement.
- AASB 119 Employee Benefits: Details accounting and disclosure requirements for Defined Benefit plans.
- AASB 1053 Applications of Tiers of Australian Accounting Standards: Details some reduced disclosure requirements for entities that do not have public accountability.

Notes to the financial statements

for year ended 30 June 2014

Note 2 Basis of preparation (continued)

- AASB 2011-3 Amendments to Australian Accounting Standards – Orderly Adoption of Changes to the ABS GFS Manual and Related Amendments: Amendments to AASB 1049 including clarification to the definition of ABS GFS.
- AASB 2011-4 Amendments to Australian Accounting Standards to Remove Key Management Personnel Disclosure Requirements: Provides clarification of Key Management Personnel disclosure requirements.
- AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income: Details amendments for entities to group items presented in other comprehensive income.
- AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets: Makes amendments to AASB 112 Income Taxes as a consequence of Deferred Tax: Recovery of Underlying Assets.
- AASB 2013-5 Amendments to Australian Accounting Standards – Investment Entities: Defines an investment entity and require that, with limited exceptions an investment entity not consolidate its subsidiaries or apply AASB 3 Business Combinations when it obtains control of another entity.

(b) Basis of measurement

The financial statements have been prepared on an accrual and going concern basis. Valuation of investments are however, measured in accordance with AAS 25 at net market value.

Rounding and functional currency

The financial statements are presented in Australian Dollars and all values are rounded to the nearest million dollars except where otherwise stated.

(c) New accounting standards and interpretations

Australian Accounting Standards and Interpretations that have recently been issued or drafted but are not yet effective have not been adopted by QSuper for the annual reporting period ended 30 June 2014. These are outlined in the table below.

AASB amendment/ standard	Title	Nature of change to accounting policy	Application date of standard	Application date for QSuper
AASB 9	Financial Instruments	Addresses the classification and measurement of financial assets and is unlikely to affect QSuper's accounting for its financial assets. No change to accounting policy as it applies to QSuper.	1 January 2015	1 July 2015
AASB 1056	Superannuation Entities	This standard will replace AAS25 and include a number of significant changes affecting the preparation of QSuper's financial statements including the following; □ Preparation of additional financial statements including a statement of changes in member benefits, statement of changes in equity and statement of cash flows. □ Broadly applying presentation principles and requirements of applicable Australian Accounting Standards as opposed to the requirements of AAS 25 that overrode certain requirements. □ Accounting for self insurance contracts as if they were life insurance contracts; QSuper is currently not obliged to report self insurance contracts separately. □ Calculating defined benefit liabilities based on accrued (refer Note 6 and Appendix) rather than vested benefits (refer Note 7 and Appendix).	1 July 2016	1 July 2016

Standards and interpretations that are not expected to have a material impact on QSuper have not been referred to above.

Notes to the financial statements

for year ended 30 June 2014

Note 3 Significant accounting policies

(a) Cash

Cash represents cash at bank.

(b) Receivables

Receivables are carried at the amount due and receivable. This value approximates net market value.

(c) Goods and services tax (GST)

Revenues and expenses are recognised net of the amount of GST to the extent that the GST is recoverable from the taxation authority. Where GST is not recovered it is recognised as part of the expense item.

Receivables and payables for which invoices have been issued or received are stated inclusive of GST. However estimates of receivables and payables are recognised net of GST, to the extent that GST is recoverable from the taxation authority. The net amount of GST recoverable from the taxation authority is included as part of receivables in the Statement of Net Assets.

QSuper is a member of a consolidated GST group. The GST group is treated as one entity for GST purposes with transactions between entities within the group broadly ignored for GST purposes.

(d) Taxation

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

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 Statement of Changes in Net Assets.

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 net assets 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 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.

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.

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. QSuper may be subject to regular review by taxation authorities in the various countries in which it invests. QSuper actively monitors and assesses the impacts of those reviews, including making appropriate tax provisions for potential tax exposures. Where the final outcome of a tax authority review is different from the amounts that were initially recorded, such differences may impact the current and deferred tax provisions in the period in which such determination is made.

The investments assets of QSuper held to support accumulation and current pension liabilities were segregated for taxation purposes on 27 March 2014. Under a segregated environment, capital gains and losses from each of the two asset pools will effectively be quarantined. Investment returns on each of the asset pools will bear their tax consequences.

Notes to the financial statements

for year ended 30 June 2014

Note 3 Significant accounting policies (continued)

(e) Investments and derivative liabilities

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.

Portfolio investments

Investments of QSuper are initially recognised at cost, being the fair value of the consideration given. After initial recognition, investments are measured at net market value. Gains or losses on investments are recognised in the Statement of Changes in Net Assets in the periods in which they occur. The net market value of investments has been determined after deducting selling costs as follows:

- securities that are listed or traded on an exchange are recognised at fair value based on quoted 'bid' prices for asset positions;
- interests in pooled investment vehicles are recorded at the redemption price as quoted by the investment manager;
- interests in unlisted trusts, unlisted partnerships, property, infrastructure, and collective investment schemes are recorded at the most recent valuation obtained from the managers adjusted for subsequent calls and redemptions and significant changes in underlying values. In the absence of quoted values, securities are valued using the redemption prices as reasonably determined by the funds' managers and this is considered appropriate for valuation; and
- derivative financial instruments including forward exchange contracts and fixed interest rate futures are recorded at market rates at close of business on the balance date.

Estimated costs of realisation have been deducted in determining net market value. Net market value is considered a reasonable approximation of fair value.

Purchases and sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace are recognised on the trade date, i.e. the date that QSuper commits to purchase or sell the asset.

Investments in service providers

Investments in service providers are measured as QSuper's share of net assets at reporting date based on holdings.

(f) Fair value measurement

AASB 13 Fair Value Measurement establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other Australian Accounting Standards (AASB's). In particular, it unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other Accounting Standards, including AASB 7 *Financial Instruments: Disclosures*.

In accordance with the transitional provisions of AASB 13, QSuper has applied the new fair value measurement guidance prospectively from 1 July 2013 and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Fund's assets and liabilities.

(g) Foreign currency

Both the functional and presentation currency of QSuper is Australian Dollars ($).

Foreign currency transactions are initially translated into Australian currency at the rate of exchange at the date of the transaction. At balance date, monetary assets and liabilities denominated in foreign currencies are translated to Australian currency at rates of exchange at that date. Resulting currency translation differences are brought to account in determining the change in net market value of investments for the year.

The Fund does not isolate that portion of unrealised gains or losses on securities and derivative financial instruments that are measured at fair value through profit or loss and which is due to changes in foreign exchange rates from that which is due to changes in the market price of securities. Such fluctuations are included with the net gains or losses on financial instruments at fair value through profit or loss.

Notes to the financial statements

for year ended 30 June 2014

Note 3 Significant accounting policies (continued)

(h) Benefits paid and payable

Benefits payable by QSuper are accounted for on an accrual basis. Benefits payable comprise the entitlements of members for whom a claim has been made and, at year end, are awaiting payment under the terms and conditions of the *Superannuation (State Public Sector) Deed 1990* and the *Superannuation (State Public Sector) Act 1990*. Benefits payable are normally settled within seven (7) days.

(i) Other payables

Payables represent liabilities for goods and services provided to QSuper prior to year end which are unpaid at 30 June. Payables are normally settled within 30 days of recognition.

(j) Liability for accrued benefits

Defined Benefit account

The liability for accrued defined benefits is actuarially measured on at least a triennial basis. This liability represents QSuper's obligation to pay benefits in the future, and is determined on the basis of the present value of expected future payments which arise from membership of the scheme up to the measurement date. The figure is determined by reference to expected future salary levels and by application of a market-based, risk-adjusted discount rate and relevant actuarial assumptions (refer Note 6). In accordance with AAS 25, this liability is specifically excluded from being reported on the face of the financial statements as it is only measured on a triennial basis.

Accumulation account

The liability for accumulation accrued benefits represents QSuper's present obligation to pay benefits to members and has been calculated as the difference between the carrying amount of the assets and the liabilities of QSuper as at the reporting date. In accordance with AAS 25, this liability is specifically excluded from being reported on the face of the financial statements.

(k) Reserves

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 QSuper's reserve policy.

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 ORFR is implemented, managed and maintained in accordance with the *Superannuation Industry (Supervision) Act 1993 (SIS Act)* 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.

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.

Notes to the financial statements

for year ended 30 June 2014

Note 3 Significant accounting policies (continued)

Insurance reserve

QSuper members are provided Death, Total and Permanent Disablement (TPD) and Income Protection insurance benefits subject to eligibility criteria. Death and TPD premiums are based on age and a dollar per unit basis, whereas income protection insurance benefit is based on age and a percentage of member's salary. Insurance premiums are collected and invested within the Insurance reserve. The balance of the reserve represents the net flow of insurance reserve income (premiums, investment income, tax rebates) and expenses (claim payments and operational costs) of the Fund.

The QSuper Board also reviews the adequacy of the reserve on an annual basis and that the stated policies are being followed, practiced and remain relevant to the Fund. The Queensland State Actuary provides the valuation on the Insurance reserve, with the last review as at 30 June 2013. The valuation reviews the adequacy of the reserve to meet projected future insurance liabilities. The liabilities include amounts for claims incurred but not yet paid and operational costs. Additionally, a QSuper Board sub-committee quarterly, and management on a more regular basis, monitors the reserve level against projected levels.

(l) Revenue

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 following specific recognition criteria must also be met before revenue is recognised:

Investment revenue:

Dividend revenue

Revenue from dividends is recognised on the date the shares are quoted ex-dividend and if not received at balance sheet date, the balance is reflected in the Statement of Net Assets as Sundry receivables and prepayments.

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.

Changes in net market value of investments

Changes in the net market value of investments are recognised as revenue and are determined as the difference between the net market value at year end (net of costs expected to be incurred for realising the investments) or consideration received (if sold during the year) and the net market value as at the prior year end (net of costs expected to be incurred for realising the investments) or cost (if the investment was acquired during the period).

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 balance date, it is reflected in the Statement of Net Assets as Sundry receivables and prepayments.

Contributions revenue:

Employer contributions

Employer contributions are brought to account on an accruals basis whereby any contributions owing for the financial year are brought to account by QSuper at the reporting date.

Member contributions

Member contributions, which include co-contributions received from the Australian Government, are brought to account when received as this is the only point at which measurement is reliable.

Transfers from other funds

Transfers from other funds are brought to account when received as this is the only point at which measurement is reliable.

Notes to the financial statements

for year ended 30 June 2014

Note 3 Significant accounting policies (continued)

Other revenue:

Insurance recoveries

Insurance recoveries are brought to account on a cash basis as this is the only point at which measurement is reliable. These are insurance claims which have been received on behalf of members and will be remitted to the beneficiaries in due course.

Sundry revenue

Sundry revenue is accounted for on an accrual basis.

Note 4 Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues, and expenses. Actual results may differ from these estimates.

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 Note 15 – Financial instruments - sensitivity analysis.

Assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 3 (d) - taxation
- Note 3 (e) - valuation of unlisted investments and level 3 investments
- Note 6 - liability for accrued benefits
- Note 13 - income tax

Note 5 Investments and derivative liabilities

On 1 November 2012, QSuper effected a new five year custodian agreement with State Street Australia Limited (SSAL). QSuper has a direct contractual custody relationship with State Street Australia - with the majority of investments held directly by QSuper.

Investments, including derivatives of QSuper, are managed by selected investment managers and QSuper Limited's internal investment team on behalf of the Board. QSuper Limited's provision of investment services is in addition to its administrative services. The Board determines the overall investment objectives and strategy of QSuper.

QSuper contracts external investment managers in various asset classes, sectors, management styles, strategies, and geographies under direct investment management agreements (hereafter referred to as mandates). QSuper's expectations of its external 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.

Notes to the financial statements

for year ended 30 June 2014

Note 5 Investments and derivative liabilities (continued)

	30/06/14 $m	30/06/13 $m
Investment assets		
Cash and short term deposits		
Cash and short term deposits	8,093	2,094
	8,093	**2,094**
Equities		
Listed equity securities	16,664	14,944
Unlisted equity securities	83	50
	16,746	**14,964**
Listed trusts		
Listed property unit trusts	676	100
Listed unit trusts	175	155
	851	**255**
Derivative assets		
Futures	9	12
Warrants and options	11	66
Swaps	49	19
Forward foreign exchange contracts	321	25
	390	**122**
Margin accounts[1]		
Margin accounts	492	334
	492	**334**
Other interest bearing securities		
Fixed interest bonds	221	207
Floating rate notes	–	103
Discount securities	2,967	7,865
Asset-backed securities	–	1
	3,188	**8,176**
Unlisted trusts		
Unlisted unit trusts - infrastructure	3,927	3,083
Unlisted unit trusts - equity & futures	3,014	1,854
Unlisted unit trusts - private equity & alternatives	2,530	1,528
Unlisted unit trusts - property	3,987	3,996
Unlisted unit trusts - cash and fixed interest	8,114	6,435
	21,572	**16,896**
Unlisted partnerships		
Unlisted partnerships - infrastructure	–	344
Unlisted partnerships - private equity	–	477
	–	**821**

Refer Note 3(e) for the methods and assumptions adopted in determining the fair values of investments.

1 Margin accounts comprise cash held as collateral for derivative transactions. The cash is held by the broker and is only available to meet margin calls.

Notes to the financial statements

for year ended 30 June 2014

Note 5 Investments and derivative liabilities (continued)

	30/06/14 $m	30/06/13 $m
Derivative liabilities		
Swaps	15	26
Futures	7	12
Forward foreign exchange contracts	90	629
	112	**667**

Refer Note 3(e) for the methods and assumptions adopted in determining the fair values of investment liabilities.

(a) Fair value hierarchy classification

In accordance with AASB 13 Fair Value Measurement, QSuper classifies fair value measurements using a fair value hierarchy. The fair value hierarchy reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- 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 (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the fair value measurement is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement requires judgement, considering factors specific to the asset or liability.

The table below sets out financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at 30 June 2014.

30 June 2014	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Listed equity securities	16,659	2	2	16,663
Unlisted equity securities	–	83	–	83
Listed unit trusts	–	175	–	175
Listed property trusts	676	–	–	676
Futures	2	–	–	2
Swaps	–	34	–	34
Forward foreign exchange contracts	–	231	–	231
Fixed interest bonds	–	207	14	221
Warrants and options	11	–	–	11
Discount securities	–	2,967	–	2,967
Unlisted unit trusts - infrastructure	–	–	3,927	3,927
Unlisted unit trusts - equity & futures	–	2,501	513	3,014
Unlisted unit trusts - private equity & alternatives	–	–	2,530	2,530
Unlisted unit trusts - property	–	–	3,987	3,987
Unlisted unit trusts - cash and fixed interest	–	8,114	–	8,114
Total	**17,348**	**14,314**	**10,973**	**42,635**

Investments not included in the above table are cash, short term deposits and margin accounts ($8,585m). These investments and the investments illustrated in the fair value hierarchy table equates to the total investments as at 30 June 2014 ($51,220m) reduced by derivative liabilities and excluding the investments in service providers.

Notes to the financial statements

for year ended 30 June 2014

Note 5 Investments and derivative liabilities (continued)

30 June 2013	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Listed equity securities	14,909	3	2	14,914
Unlisted equity securities	49	–	1	50
Listed unit trusts	–	–	155	155
Listed property trusts	100	–	–	100
Swaps	–	(7)	–	(7)
Forward foreign exchange contracts	–	(604)	–	(604)
Fixed interest bonds	–	190	17	207
Floating rate notes	–	103	–	103
Warrants and options	66	–	–	66
Discount securities	–	7,865	–	7,865
Asset-backed securities	–	1	–	1
Unlisted unit trusts - infrastructure	–	1,069	2,014	3,083
Unlisted unit trusts – equity & futures	–	1,854	–	1,854
Unlisted unit trusts - private equity & alternatives	–	805	723	1,528
Unlisted unit trusts - property	331	362	3,303	3,996
Unlisted unit trusts - cash and fixed interest	–	5,471	964	6,435
Unlisted partnerships - infrastructure	–	–	344	344
Unlisted partnerships - private equity	–	–	477	477
Total	**15,455**	**17,112**	**8,000**	**40,567**

Investments not included in the above table are cash, short term deposits and margin accounts ($2,428m). These investments and the investments illustrated in the fair value hierarchy table equates to the total investments as at 30 June 2013 ($42,966m) reduced by derivative liabilities and excluding the investments in service providers.

Notes to the financial statements

for year ended 30 June 2013

Note 5 Investments and derivative liabilities (continued)

(b) Level 3 – Financial instruments transactions

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.

	Opening balance $m	Total realised/ unrealised gains (losses) $m	Purchases/ applications $m	Sales/ redemptions $m	Transfers into level 3 $m	Transfers out of level 3 $m	Closing balance $m
Listed equity securities	2	–	–	–	1	(1)	2
Unlisted equity securities	1	1	–	(2)	–	–	–
Listed unit trusts	155	19	–	–	–	(174)	–
Fixed interest bonds	17	1	–	(4)	–	–	14
Unlisted unit trusts – infrastructure	2,014	510	853	(382)	932	–	3,927
Unlisted unit trusts – equity & futures	–	51	203	–	259	–	513
Unlisted unit trusts – private equity & alternatives	723	(21)	1,092	(65)	801	–	2,530
Unlisted unit trusts – property	3,303	(1,800)	2,369	(240)	355	–	3,987
Unlisted unit trusts – cash and fixed interest	964	(307)	–	–	–	(657)	–
Unlisted partnerships – infrastructure	344	–	–	(344)	–	–	–
Unlisted partnerships – private equity	477	280	–	(757)	–	–	–
Total $m	**8,000**	**(1,266)**	**4,517**	**(1,794)**	**2,348**	**(832)**	**10,973**

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 approach	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Unlisted unit trusts	21,572	Investment Manager - Estimated valuation	Valuation of underlying investments of the unit trusts	An increase in the value of investments of the unit trusts will result in higher fair values. Reductions would result in lower fair values.
Floating rate notes	14	Discounted cashflow	Face value of notes Interest rate on face value of notes	Increases in the interest rate calculated will result in an increase in fair value.
Unlisted equity	2	Last trading price less impairment	Last trading price less impairment	An increase in the impairment of the unlisted equities will result in lower fair values. Reductions would result in higher fair values.

Due to the immaterial nature (by value) of the unlisted equities classified as Level 3, a discounted cashflow valuation approach is not used.

Notes to the financial statements

for year ended 30 June 2014

Note 5 Investments and derivative liabilities (continued)

Gains or losses recognised in the Statement of Changes in Net Assets for Level 3 transactions are presented in the movement in net market value of investments as follows:

	Unlisted equity securities $m	Listed unit trusts $m	Fixed interest bonds $m	Unlisted unit trusts $m	Unlisted partnerships $m	Total $m
Total gains/(losses) recognised in the Statement of Changes in Net Assets for the year	(1)	19	–	(1,543)	106	(1,419)
Total unrealised gains/(losses) recognised in the Statement of Changes in Net Assets for assets held at the end of the reporting year	2	–	1	(24)	174	153
Total	**1**	**19**	**1**	**(1,567)**	**280**	**(1,266)**

(c) Transfers between hierarchy levels

There have been no significant transfers between Level 1 and Level 2 of the fair value hierarchy during the period.

An internal review of the pricing methodologies applied by investment managers resulted in the transfer of investments of some unlisted unit trusts into Level 3 during the year.

Notes to the financial statements

for year ended 30 June 2014

Note 5 Investments and derivative liabilities (continued)

(d) External investment managers

The Board has authorised the use of external specialist investment managers. This approach recognises the diversification advantages of employing a range of investment specialists. Investment managers that have a direct relationship with QSuper and funds under management, as at reporting date, are listed below:

Asset sector	Manager
Cash	QIC Ltd
	QSuper Limited
	State Street Global Advisors, Australia Ltd
Global fixed interest	QIC Ltd
	QSuper Limited
Listed equities	
Australia	State Street Global Advisors, Australia Ltd
	DFA Australia Ltd
	Vanguard Investments Australia Limited
International	DFA Australia Ltd
	State Street Global Advisors, Australia Ltd
Unlisted assets	
Real estate	AEW Europe LLP
	Invesco Advisers Inc
	Jamestown Premier GP, LP
	QIC Ltd
	QSuper Limited
Infrastructure	Alinda Capital Partners
	Global Infrastructure Partners
	QIC Ltd
	QSuper Limited
Private equity	Partners Group
	QIC Ltd
	Northwater Capital Management Inc
Alternatives	AQR Capital Management LLC
	Bridgewater Associates, LP
	Global Endowment Management LP
	Graham Capital Management, LP
	Makena Capital Management LLC
	Principal Global Investors
	QSuper Limited
Other	AMP Capital
	State Street Bank and Trust Company

In some instances, investment managers may appoint underlying managers. These indirect managers are not represented in the list above.

QSuper Limited also provides investment services to implement the investment policy of the fund, including capital markets, funds management, cash management, investment strategy, policy and governance (refer Note 14 (d)).

Notes to the financial statements

for year ended 30 June 2014

Note 6 Liability for accrued benefits

The last actuarial review of QSuper was conducted as at 30 June 2013 by the State Actuary, Mr W H Cannon BSc(Hons) FIAA. The value of accrued benefits as at that date was $63,018m. A summary of the most recent actuarial report prepared for QSuper is attached to, but does not form part of, these financial statements. The summary includes the State Actuary's opinion as to the financial condition of QSuper as at that date. In accordance with AAS 25, the value of accrued benefits has not been shown as a liability on the face of the financial statements as it is only measured on a triennial basis.

The difference existing between net assets available to pay benefits per the statement of net assets and the value of accrued benefits as at measurement date is explained by QSuper's funding arrangements. Further details are provided in Note 12.

Note 7 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 2013.

	30/06/14 $m	30/06/13 $m
Vested benefits	72,724	66,098

The difference between net assets available to pay benefits and the value of vested benefits as at reporting date is explained by QSuper's funding arrangements (refer Note 12). In accordance with AAS 25, vested benefits have not been shown on the face of the financial statements.

The value of vested benefits as at 30 June 2013 is that reported by the actuarial investigation as at that date and differs from that reported in the financial statements in the prior year. The difference has arisen due to changes in the actuarial assumptions underlying the value of the vested benefits in accordance with the most recent actuarial valuation of QSuper. The value of vested benefits reported as at 30 June 2013 was $ 66,152m.

Note 8 Reserves

The following table reconciles the changes in reserves between the beginning and the end of the financial year:

	Balance at beginning of financial year $m	Transfers (to)/from accumulated funds $m	Balance at end of financial year $m
General reserve	308	257	565
Unallocated contributions reserve	5	4	9
Insurance reserve	209	38	247
Operational risk financial requirement reserve	111	23	134
Reserves[1]	**633**	**322**	**955**

1 Refer to note 3 for the accounting policies and purpose of the reserves.

Notes to the financial statements

for year ended 30 June 2014

Note 9 Accumulated member funds

The following table reconciles the changes in accumulated funds during the financial year:

	30/06/14		
	Reserves $m	Accumulated Member Funds $m	Total $m
Liability for accrued benefits at the beginning of the financial year	633	43,135	43,768
Plus: Benefits accrued from ordinary activities after income tax	322	7,219	7,541
Liability for accrued benefits at the end of the financial year	**955**	**50,354**	**51,309**

	30/06/13		
	Reserves $m	Accumulated Member Funds $m	Total $m
Liability for accrued benefits at the beginning of the financial year	378	35,678	36,056
Plus: Benefits accrued from ordinary activities after income tax	255	7,456	7,712
Liability for accrued benefits at the end of the financial year	**633**	**43,135**	**43,768**

Notes to the financial statements

for year ended 30 June 2014

Note 10 Change in net market value of investments

	30/06/14 $m	30/06/13 $m
(i) Investments unrealised at balance date		
Cash and short term deposits	82	(5)
Listed equity securities	1,497	2,415
Unlisted equity securities	(2)	(1)
Preference shares redeemable	–	9
Listed unit trusts	–	24
Listed property trusts	1	47
Futures	2	–
Warrants and options	(10)	12
Swaps	41	(7)
Forward foreign exchange contracts	835	(604)
Fixed interest bonds	3	1
Discount securities	16	29
Asset-backed securities	–	9
Unlisted unit trusts	1,315	(283)
Unlisted partnerships	3	12
Total	**3,783**	**1,658**
(ii) Investments realised during the year		
Cash and short term deposits	430	(2)
Listed equity securities	361	776
Unlisted equity securities	9	2
Preference shares redeemable	–	1
Listed unit trusts	–	(25)
Listed property trusts	3	1
Futures	(34)	(225)
Warrants and options	(122)	(8)
Swaps	–	11
Forward foreign exchange contracts	(642)	68
Fixed interest bonds	1	3
Discount securities	7	221
Asset-backed securities	–	(181)
Unlisted unit trusts	209	20
Unlisted partnerships	–	–
Total	**222**	**662**
Total changes in net market value	**4,005**	**2,320**

Notes to the financial statements

for year ended 30 June 2014

Note 11 Employer contributions

		30/06/14 $m	30/06/13 $m
Accumulation account			
Employer contributions		2,251	2,104
		2,251	**2,104**
Defined Benefit account			
Employer contributions – salary sacrifice		202	200
Employer contributions – Queensland Treasury Corporation	(i)	2,174	3,233
		2,376	3,433
Employer contributions		**4,627**	**5,537**

(i) These Employer contributions are held in a reserve managed by the Queensland Treasury Corporation on behalf of the Queensland Government.

Employer salary sacrifice contributions in the Defined Benefit account represent standard contributions members have chosen to salary sacrifice. Salary sacrificed contributions are classified as employer contributions. Refer Note 12 for further details in relation to employer contribution funding arrangements.

Note 12 Funding arrangements

Defined Benefit arrangement

Standard members' contributions are made to QSuper at a rate ranging from 2% to 11.5% (2013: 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 the Queensland Treasury Corporation 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 State Actuary, determines the rate of employer contributions.

As defined benefits become payable, the full cost is met by QSuper, with the Employer Fund contributing the employers' share of these benefits. This split funding arrangement is the reason for the difference between net assets available to pay benefits, per the Statement of changes in net assets and the value of accrued benefits and vested benefits as at the respective measurement dates.

Funding from the Employer Fund 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 $2,174 million for 2014 (2013: $3,233 million). These transfers are considered to approximate last minute funding.

Accumulation arrangement

Where members have chosen an accumulation-style benefit, all member and employer contributions are paid to QSuper. Employer contributions to QSuper for members who do not contribute to an accumulation arrangement are at a rate ranging from 3% to 9.25% (2013: 3% to 9%) of members' salaries.

Accumulation members, who make their own contributions (rate ranging from 2% to 6%), receive employer contributions at a rate ranging from 9.75% to 18%. Non-core employers may choose to enter into special arrangements that may differ from these standard arrangements. Members may also choose to pay additional voluntary contributions.

Notes to the financial statements

for year ended 30 June 2014

Note 13 Income tax

Major components of income tax expense are:

	30/06/14 $m	30/06/13 $m
Current income tax		
Current income tax expense	562	771
Adjustments in respect of current income tax of previous years (prior year relates to ATO audit outcome).	24	(205)
Deferred income tax		
Relating to origination and reversal of temporary differences in deferred tax asset	87	40
Relating to origination and reversal of temporary differences in deferred tax liability	210	209
Tax losses recognised as a deferred tax asset subsequently derecognised / (recognised) resulting from ATO Audit outcome in prior year.	–	(204)
Income tax expense reported in Statement of changes in net assets	**883**	**611**

A reconciliation between prima facie income tax expense and income tax expense as reported in the Statement of changes in net assets before income tax is as follows:

	30/06/14 $m	30/06/13 $m
Increase in net assets before income tax	8,424	8,323
Prima facie income tax expense at the tax rate of 15%	1,264	1,248
Tax effect of non-deductible expenses and non-assessable income in calculating the taxable amount:		
Benefits paid	509	477
Increase/(decrease) in income tax expense due to:		
Differences between tax and accounting net investment income	(414)	(215)
Non-assessable member contributions and transfers in	(261)	(245)
Imputation and foreign tax credits	(168)	(189)
Group life proceeds, notional insurance and anti-detriment	(50)	(44)
Allocated exempt pension income	(34)	(36)
Provision / (Benefit) for actual and estimated potential income tax arising from ATO audit	–	(382)
Other	14	(8)
	860	606
(Over)/under provision for taxation – prior year	23	5
Total	**883**	**611**

Notes to the financial statements

for year ended 30 June 2014

Note 13 Income tax (continued)

(b) Deferred income tax

Deferred income tax relates to the following:

	30/06/14 $m	30/06/13 $m
Movements in deferred tax asset		
Opening balance	295	131
Change to Statement of changes in net assets	(87)	(40)
Tax losses recognised as a deferred tax asset subsequently recognised / (derecognised) resulting from ATO Audit	–	204
Closing balance	**208**	**295**
Movements in deferred income tax liability		
Opening balance	240	31
Change to Statement of changes in net assets	210	209
Closing Balance	**450**	**240**
Deferred tax asset comprises:		
Quarantined capital losses	205	219
Investments	3	76
Other	–	–
Total deferred tax asset	**208**	**295**
Deferred tax liability comprises		
Contributions receivable	12	11
Unrealised gains in investments	438	229
Other	–	–
Total deferred tax liability	450	240
Deferred tax asset/(liability)	**(242)**	**55**

(c) Current tax liability

	30/06/14 $m	30/06/13 $m
Opening balance	18	591
Adjustments in respect of current income tax of previous years	24	(204)
Tax payments	(550)	(1,140)
Current year income tax	562	771
Closing balance	**54**	**18**

Notes to the financial statements

for year ended 30 June 2014

Note 14 Related parties

(a) Trustees and key management personnel

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

Name	Date commenced (ceased) as Trustee
Mr Karl Douglas Morris (Chairman)[1]	December 2013
Mr Robert Ernest Scheuber AM (Former Chairman)[2]	December 2007
Ms Melissa Anne Babbage	June 2013
Mr Jeffrey (Jeff) John Backen	December 2013
Mr Michael Ian Barnes	June 2009
Mr Walter Ivessa	June 2009
Mr Bede Farrell King	February 2013
Ms Ruth Ethel Elizabeth McFarlane	December 2013
Ms Elizabeth (Beth) Ruth Mohle	December 2013
Ms Debra-Lee (Debbie) Best	September 2011 (November 2013)
Ms Lorraine Gay Hawksworth OAM	December 2007 (November 2013)
Mr Peter Henneken AM	December 2007 (November 2013)
Mr Kilian Thomas (Tom) Jeffers	August 2007 (November 2013)
Mrs Karen Shirley Peut PSM	May 1985 (November 2013)
Ms Amanda Marion Richards	September 2008 (October 2013)
Mr Stephen Robert Ryan	June 1994 (November 2013)

1 Karl Morris commenced as Chairman from 1 January 2014. **2** Robert Scheuber ceased as Chairman 31 December 2013 but remains a Trustee.

QSuper has a 100% ownership interest in QSuper Limited which provides both fund administration and investment services to QSuper. The following persons, employed by QSuper Limited, had authority and responsibility for planning, directing and controlling the activities of QSuper, directly or indirectly, during the financial year:

Mrs Rosemary Vilgan	Chief Executive Officer
Mr David Bowen	Chief Information & Technology Officer
Mr Michael Cottier	Chief Financial Officer
Mr Stephen Cullen	Chief Officer Advice & QInvest
Mr Matthew Halpin	Chief Officer Member Administration
Mr Brad Holzberger	Chief Investment Officer (CIO)
Mr Paul Landy	Chief Officer Human Resources & Internal Communications
Mr Michael Pennisi	Chief Strategy Officer

(b) Key management personnel compensation

QSuper is committed to putting members at the centre of everything we do. Our key priority is to provide stable long-term returns and value for our members. High quality leadership and management are integral to this.

QSuper aims to ensure that our employee remuneration principles enable us to:

- attract and retain people with the highest quality skills, to optimise the management of operations and growth of QSuper for the benefit of members.
- link employee rewards to the creation of value for members.

Notes to the financial statements

for year ended 30 June 2014

Note 14 Related parties (continued)

Remuneration principles

QSuper's employee remuneration strategy is designed to attract and retain the best people and is based on the key principles of:

- performance
- integrity
- affordability
- sustainability.

Our remuneration policy is reviewed at least every three years to ensure we remain true to these principles.

Remuneration governance

The Remuneration Committee of the Board is responsible for governance of remuneration practices and arrangements, with the Board maintaining absolute responsibility and decision making for remuneration matters.

The Remuneration 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, such as the superannuation industry, and organisations of similar financial and asset size. QSuper aims to target remuneration at the FIRG median salary and up to the 75th percentile for Total Remuneration (TR) for outperformance.

During the 2013 and 2014 financial years, the QSuper Board also sought independent verification by external advisor, Ernst and Young (EY). Using market data and industry remuneration models and frameworks, they benchmarked the QSuper remuneration strategy against competitor organisations.

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 QSuper Limited and QInvest Limited Directorship). Board members who are also employees of the Government are not remunerated for their trustee duties.

Executive Committee remuneration

Executives are employed under individual employment contracts, which are structured for either a fixed term period or contracted on an ongoing basis. Executives are required to provide between one and six months' notice, depending on role, of their intention to terminate their QSuper employment contract.

Executive remuneration is market competitive and paid under salary package arrangements which include an appropriate mix of fixed and variable performance payments.

Performance linkages

Both fixed and variable remuneration are market competitive and are explicitly linked to performance. All QSuper executive remuneration outcomes appropriately reflect Group, division 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 (see the Fixed remuneration section below for further details).
- Short-term incentives (STI) are based on annual performance against a balanced scorecard of appropriate performance measures (see the STI section below for further details).
- Long-term incentives (LTI) are based on the longer-term performance measures (see the LTI section below for further details).

Fixed remuneration

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 to provide employees with fixed remuneration which targets the market median (and up to the 75th percentile for outperformance) within the financial services sector in which the Group operates.

Notes to the financial statements

for year ended 30 June 2014

Note 14 Related parties (continued)

Variable remuneration

Specific variable remuneration performance payments are focused on senior employees who are critical to the continuing success of QSuper.

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 (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 annually 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:

- member and employers
- service and delivery
- great value and risk (financial measures)
- people and culture.

Specific performance measures and stretch targets aligned to QSuper's strategic goals, personalised retirement adequacy and being a Member for life fund, are set by the Board at the commencement of each financial year.[1] Each of the performance measures within the four balanced scorecard categories operate within defined risk management parameters to align with members' interests and the overall balanced scorecard performance directly influences STI payments.

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. The QSuper Group Values set the behavioural expectation that the Board believes form a foundation for successful performance.

LTI

A LTI opportunity is provided to Executives (excluding the CIO) to provide incentives to create value within the Group and to underpin executive retention. These are linked to the longer-term performance of QSuper to ensure that member's interests are best served. As the time horizons of performance measured within the Investment STI plan already reflect the longer-term focus, it is not appropriate for the CIO to be eligible for this scheme.

Annual cash grants are determined by the Board and remain at risk during the three year deferral period. The Board has absolute discretion to reduce all LTI grants downwards to zero at any time prior to payment. Payment of the grant at the end of the three years is subject to an individual's ongoing service and the achievement of the LTI performance conditions under which the grant was made.

Performance conditions in the LTI scheme are designed to ensure consistency and alignment with QSuper's strategic plan and the achievement of its longer-term strategic goals. The current LTI scheme has three financial/strategic measures overlayed with a risk measure. These include retention of funds under management, competitive service relative to cost and the Board's assessment of the executive committee's overall long term performance. The LTI plan has only been in operation for two financial years with the first potential payment achievable in 2015.

The Group's results in the 2013 and 2014 financial years reflects the continued progress against the Group's strategic plan.

1 Performance measures are reviewed on an annual basis and can change year to year to support the achievement of QSuper's strategic goals. Examples of specific performance measures include retention of funds under management, business growth, stakeholder satisfaction, operational excellence and the capability and engagement of the QSuper workforce.

Notes to the financial statements

for year ended 30 June 2014

Financial statements

Notes to the financial statements

for year ended 30 June 2014

Note 14 Related parties (continued)

Basis of preparation

QSuper remuneration disclosures have been prepared in accordance with Section 29QB (1) a) of the *Superannuation Industry Supervision Act 1993* and Division 2.6 regulations 2.37 of the *Superannuation Industry (Supervision) Regulation 1994*.

Remuneration disclosures[1] for trustees who were in the role, for the whole of, or part of, either 2013 and/or 2014 financial years are detailed below.

Board Remuneration				Short term employee benefits $				Post- employment benefit $		Long term benefits $		Total $
Trustee	**Remuneration paid / payable to**	**Date commenced (ceased) as Trustee**	**Financial year**	**Cash fixed[6]**	**Non-monetary fixed**	**Cash STI[7] payment**	**Other short term benefits**	**Pension and super-annuation**	**Other post-employment benefits**	**Long Term Incentive[7] (LTI)**	**Other e.g. long service leave**	**Total remuneration package**
Karl Morris (Chairman)[2]	Individual	10 December 2013	2014	48,139	–	–	–	–	–	–	–	48,139
Melissa Babbage	Individual	19 June 2013	2014	45,402	–	–	–	4,200	–	–	–	49,602
			2013	1,370	–	–	–	126	–	–	–	1,496
Michael Barnes	50/50 Individual and Qld Police Union (2014) Qld Police Union (2013)	1 June 2009	2014	45,402	–	–	–	2,100	–	–	–	47,502
			2013	44,512	–	–	–	–	–	–	–	44,512
Debra-Lee Best	Individual[3]	5 September 2011 (30 November 2013)	2014	7,858	–	–	–	9,312	–	–	–	17,170
			2013	–	–	–	–	–	–	–	–	–
Jeffrey Backen	Qld Teachers Union	1 December 2013	2014	26,485	–	–	–	–	–	–	–	26,485
Lorraine Hawksworth	Individual	1 December 2007 (30 November 2013)	2014	19,208	–	–	–	1,777	–	–	–	20,985
			2013	44,512	–	–	–	4,006	–	–	–	48,518
Peter Henneken	Individual	1 December 2007 (30 November 2013)	2014	11,525	–	–	–	9,460	–	–	–	20,985
			2013	29,532	–	–	–	18,986	–	–	–	48,518
Walter Ivessa	N/A[4]	1 June 2009	2014	–	–	–	–	–	–	–	–	–
			2013	–	–	–	–	–	–	–	–	–
Killian Jeffers	Individual	22 August 2007 (30 November 2013)	2014	10,042	–	–	–	10,943	–	–	–	20,985
			2013	23,866	–	–	–	24,652	–	–	–	48,518
Bede King	Individual	6 February 2013	2014	28,918	–	–	–	20,683	–	–	–	49,601
			2013	1,144	–	–	–	18,077	–	–	–	19,221
Ruth McFarlane	N/A[4]	1 December 2013	2014	–	–	–	–	–	–	–	–	–
Elizabeth Mohle	Qld Nurses Union	1 December 2013	2014	26,485	–	–	–	–	–	–	–	26,485
Karen Peut	N/A[4]	28 May 1985 (30 November 2013)	2014	–	–	–	–	–	–	–	–	–
			2013	–	–	–	–	–	–	–	–	–
Amanda Richards	Qld Council of Unions	11 September 2008 (22 October 2013)	2014	15,134	–	–	–	–	–	–	–	15,134
			2013	44,512	–	–	–	–	–	–	–	44,512
Stephen Ryan (Former Deputy Chairman)	Individual[8]	1 June 1994 (30 November 2013)	2014	14,995	–	–	–	5,990	–	–	–	20,985
			2013	34,554	–	–	–	13,964	–	–	–	48,518
Robert Scheuber (Former Chairman)[5]	Individual	1 December 2007	2014	68,453	–	–	–	6,332	–	–	–	74,785
			2013	89,024	–	–	–	8,012	–	–	–	97,036

No termination payments or sign-on payments were made to Trustees during the financial years. Appointment terms, including remuneration rates, are in accordance with the QSuper Act and approved by the Treasurer.

1 Reporting is in line with accounting standards. **2** Karl Morris commenced as Chairman from 1 January 2014. **3** Debra-Lee Best was remunerated personally following her retirement from the Queensland Public Service in late July 2013. **4** In accordance with QSuper policy, Trustees who are active Queensland Public Service employees are not entitled to be remunerated for their QSuper Board activities. **5** Robert Scheuber ceased as Chairman on 31 December 2013 but continued as a QSuper Trustee.

6 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). **7** Trustees do not participate in a Short Term Incentive (STI) scheme or Long Term Incentive (LTI) scheme. **8** Stephen Ryan ceased as Deputy Chairman on 30 November 2013. A new Deputy Chairman has not been appointed.

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for year ended 30 June 2014

Notes to the financial statements

for year ended 30 June 2014

Note 14 Related parties (continued)

Remuneration disclosures[1] for QSuper Executive Committee members who were in the role, for the whole of, or part of, either 2013 and/or 2014 are detailed below. Please note movement in current year annual leave provisions are included in the Cash fixed column.

Executive Remuneration				Short term employee benefits $				Post- employment benefit $		Long term benefits $		Total $
Chief Officer	**Position**	**Date commenced or (ceased) in role**	**Financial year**	**Cash fixed[2]**	**Non-monetary fixed**	**Cash STI[3] payment**	**Other short term benefits**	**Pension and super-annuation**	**Other post-employment benefits**	**Long Term Incentive[4] (LTI)**	**Other e.g. long service leave**	**Total remuneration package**
Rosemary Vilgan	Chief Executive Officer	2 July 1997	2014	545,898	11,543	322,657	–	105,949	–	47,580	21,235	1,054,862
			2013	524,218	10,760	315,570	–	100,468	–	31,734	16,182	998,932
David Bowen[6]	Chief Information and Technology Officer	13 August 2012 (2 September 2014)	2014	285,586	–	–	–	35,955	–	–	6,555	328,096
			2013	232,362	–	88,163	–	39,162	–	9,995	2,367	372,049
Michael Cottier	Chief Financial Officer	14 September 2009	2014	441,549	–	169,368	–	25,395	–	22,544	22,957	681,813
			2013	433,505	–	159,987	–	24,873	–	15,000	8,898	642,263
Stephen Cullen	Chief Officer Advice and QInvest	2 July 2012	2014	352,594	–	121,878	–	38,548	–	17,740	8,354	539,114
			2013	353,839	–	126,388	–	35,744	–	11,661	3,121	530,753
Matthew Halpin[5]	Chief Officer Member Administration	12 October 2010	2014	302,130	–	120,573	–	29,835	–	15,622	12,859	481,019
			2013	289,008	–	109,408	–	29,923	–	10,445	5,048	443,832
Brad Holzberger	Chief Investment Officer	11 March 2009	2014	581,067	–	533,025	–	25,323	–	–	28,174	1,167,589
			2013	524,916	–	486,310	–	24,904	–	–	14,590	1,050,720
Paul Landy[5]	Chief Officer Human Resources and Internal Communications	15 December 2010	2014	285,050	6,252	113,570	–	24,891	–	14,720	11,734	456,217
			2013	258,703	–	114,010	–	23,713	–	9,842	4,737	411,005
Michael Pennisi[5]	Chief Strategy Officer	2 November 2010	2014	371,254	7,695	159,452	–	71,999	–	21,350	17,158	648,908
			2013	376,691	–	162,881	–	67,036	–	14,345	6,813	627,766

No termination payments or sign on payments were made to Executives during the financial year.

1 Reporting is in line with accounting standards. **2** 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). **3** Accrued during the reporting period (refer to table in STI criteria section for further detail). **4** Accrued during the reporting period (refer to table in LTI criteria section for further detail). **5** The contract was renegotiated, during the financial year, in alignment with QSuper's remuneration policies. The individual's eligibility for STI and LTI remains unchanged. **6** David Bowen was ineligible for STI and LTI payments in 2014.

Notes to the financial statements

for year ended 30 June 2014

Note 14 Related parties (continued)

Short-term incentive scheme

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

	Grant date	Financial year the incentive relates to	Incentive amount $	Date the incentive was paid/to be paid	% of potential incentive that was paid	% of potential incentive that was forfeited
Rosemary Vilgan	September 2013	2014	322,657	17 September 2014	81.67%	18.33%
	September 2012	2013	315,570	18 September 2013	82.83%	17.17%
David Bowen	September 2013	2014	–	–	0.00%	100.00%
	September 2012	2013	88,163	18 September 2013	65.31%	34.69%
Michael Cottier	September 2013	2014	169,368	17 September 2014	80.00%	20.00%
	September 2012	2013	159,987	18 September 2013	78.97%	21.03%
Stephen Cullen	September 2013	2014	121,878	17 September 2014	71.11%	28.89%
	September 2012	2013	126,388	18 September 2013	80.25%	19.75%
Matthew Halpin	September 2013	2014	120,573	17 September 2014	82.22%	17.78%
	September 2012	2013	109,408	18 September 2013	77.55%	22.45%
Brad Holzberger	September 2013	2014	533,025	17 September 2014	90.00%	10.00%
	September 2012	2013	486,310	18 September 2013	85.43%	14.57%
Paul Landy	September 2013	2014	113,570	17 September 2014	82.22%	17.78%
	September 2012	2013	114,010	18 September 2013	85.77%	14.23%
Michael Pennisi	September 2013	2014	159,452	17 September 2014	80.00%	20.00%
	September 2012	2013	162,881	18 September 2013	84.07%	15.93%

Notes to the financial statements

for year ended 30 June 2014

Note 14 Related parties (continued)

Long-term incentive scheme

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

	Financial year the incentive relates to	Amount granted[1] in financial year $	Date granted	Financial year of potential payment[2]	Amount paid in financial year[2] $	% of potential incentive that was paid	% of potential incentive that was forfeited
Rosemary Vilgan	2014	99,536	September 2013	2016/2017	–	–	–
	2013	95,250	September 2012	2015/2016	–	–	–
David Bowen[3]	2014	31,050	September 2013	2016/2017	–	–	100.00%
	2013	30,000	September 2012	2015/2016	–	–	100.00%
Michael Cottier	2014	47,274	September 2013	2016/2017	–	–	–
	2013	45,023	September 2012	2015/2016	–	–	–
Stephen Cullen	2014	37,625	September 2013	2016/2017	–	–	–
	2013	35,000	September 2012	2015/2016	–	–	–
Matthew Halpin	2014	32,604	September 2013	2016/2017	–	–	–
	2013	31,350	September 2012	2015/2016	–	–	–
Paul Landy	2014	30,722	September 2013	2016/2017	–	–	–
	2013	29,540	September 2012	2015/2016	–	–	–
Michael Pennisi	2014	44,348	September 2013	2016/2017	–	–	–
	2013	43,056	September 2012	2015/2016	–	–	–

1 This is the maximum possible payment amount and is subject to service and performance criteria being met over three years from the beginning of the financial year it is granted. Payment is held at risk until the end of the three year performance period. The minimum possible total value of each incentive is zero. The maximum possible total value of each incentive is the amount granted. **2** Payment is held at risk until the end of the three year performance period. **3** David Bowen was ineligible for LTI.

No alterations have been applied to any of the terms or conditions in the current financial year.

(c) Employer sponsor

Employer funding arrangements for related employer sponsors are discussed in Note 12.

(d) Related party transactions

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. 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 QSuper Limited. QSuper Limited provides both fund administration 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.

QSuper Limited investment services include capital markets, funds management, investment strategy, policy and governance. The internal capital markets function implements QSuper's investment strategy and manages financial risk, through the delivery of portfolio management services, and from June 2014, cash management.

Notes to the financial statements

for year ended 30 June 2014

Note 14 Related parties (continued)

During the financial year, fees paid/payable to QSuper Limited aggregated $178m (2013: $143m).

QSuper Limited owns 100% of the ordinary shares of QInvest Limited. QInvest Limited provides financial planning services and is paid a financial planning fee by QSuper.

During the financial year, fees paid/payable to QInvest Limited aggregated $16m (2013: $18m).

Note 15 Financial instruments and risk management

(a) General

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 (refer Note 5).

The majority of investments of QSuper are held in custody on behalf of the Board by SSAL who acts as the 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.

The Board is responsible for identifying and controlling the risks that arise from these financial instruments. 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 and Risk Committee assists the Board in discharging its governance and administrative responsibilities. The Committee'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; monitoring the compliance of QSuper and QSuper Limited 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 choice 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 Limited management, and independent advisers, if and when the need arises.

The Board also seeks information and advice from the Investment Committee on the performance of the individual asset classes of QSuper's investments (and may also seek independent advice from other qualified persons) so as to form an opinion on the nature and extent of any risks, and the expected returns, associated with each investment prior to determining its suitability as an investment for QSuper.

Sensitivity analyses have 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, SSAL. 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.

Notes to the financial statements

for year ended 30 June 2014

Note 15 Financial instruments and risk management (continued)

(b) Market risk

Market risk is the risk that the net market 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.

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 property investments. As QSuper's financial instruments are valued at net market value, with changes in net market value recognised in the Statement of Changes in Net Assets, all changes in market conditions can directly affect investment revenue.

QSuper's exposure to price risk is determined by the net market 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

This analysis is based on historical data over the past five years, expected investment rate movements during the 2014 financial year and is performed in consultation with QSuper's investment team having regard to what is considered reasonably possible at the end of the reporting period.

Listed equity securities	15%
Preference shares	15%
Listed trusts	15%
Unlisted assets	15%
Derivatives	15%

The increase / (decrease) in the market price against the investments of QSuper at 30 June would have increased / (decreased) the amount in net assets available to pay benefits 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 2013 whereby the assets which are applied are the non-interest bearing instruments and are not guaranteed.

Notes to the financial statements

for year ended 30 June 2014

Note 15 Financial instruments and risk management (continued)

Sensitivity of price risk and changes on net assets

	%	Carrying Amount $m	(Decrease) $m	Increase $m
30 June 2014				
Listed equity securities	15	16,662	(2,499)	2,499
Preference shares	15	1	(0)	0
Listed trusts	15	851	(128)	128
Unlisted assets	15	21,665	(3,248)	3,248
Derivatives – net[1]	15	278	(42)	42
Total		**39,457**	**(5,917)**	**5,917**
30 June 2013				
Listed equity securities	15	14,884	(2,233)	2,233
Preference shares	15	30	(5)	5
Listed trusts	15	255	(38)	38
Unlisted assets	15	17,767	(2,665)	2,665
Derivatives – net[1]	15	(512)	77	(77)
Total		**32,424**	**(4,864)**	**4,864**

1 The amount represented for derivatives - net includes non-interest bearing futures, forward foreign exchange contracts and warrants.

Foreign exchange risk

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

QSuper holds assets denominated in currencies other than the Australian dollar, the Fund's functional currency. QSuper is therefore exposed to foreign exchange risk, as the value of the securities and future cash flows of the securities 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 convert some or all of QSuper's currency exposures back into Australian dollars in line with QSuper's Investment Policy Statement (IPS), to reduce foreign exchange risk. In certain instances, foreign currency exposures are obtained for member options which are based on established investment objectives. QSuper's overall exposure to foreign exchange risk is however, less significant, after taking into account forward currency contracts. The currency hedges in place to mitigate foreign exchange risk are independently monitored daily to ensure they are in line with QSuper's IPS.

The foreign exchange risk disclosures have been prepared on the basis of QSuper's direct investment and not on a look through basis for the investments held indirectly through unit trusts.

Consequently the disclosure of foreign exchange risk in the note may not represent the total foreign exchange risk profile of QSuper where QSuper has significant investments in feeder trusts which also have exposure to the foreign markets.

Notes to the financial statements

for year ended 30 June 2014

Note 15 Financial instruments and risk management (continued)

Foreign currency exposure

Currency (AUD equivalent)	30/06/14 $m	30/06/13 $m
United States of America (USD)	(993)	458
European Union (EUR)	(95)	82
Japan (YEN)	348	403
Great Britain (GBP)	(706)	(21)
Canada (CAD)	174	196
Switzerland (CHF)	200	185
Hong Kong (HKD)	132	104
Sweden (SEK)	75	66
Singapore (SGD)	74	33
Other currencies	442	98
Net foreign currency exposure	**(349)**	**1,604**

Foreign exchange sensitivity analysis

In accordance with QSuper's policies, the investment team monitors QSuper's currency position on a daily basis. This information and the compliance with QSuper's policies are reported to the relevant parties such as key investment management personnel, the Investment Committee and the Board as appropriate.

The Board, having set QSuper's policy for foreign exchange exposures, delegates to the investment team the day to day oversight within these ranges. The Investment Committee is responsible for bringing any breaches to the Board's attention. While QSuper has direct exposure to foreign exchange rate changes on the price of non-Australian dollar denominated securities, it may also be indirectly affected for example, by the impact of foreign exchange rate changes on the earnings of certain entities in which QSuper invests, even if those entities' securities are denominated in Australian Dollars. For that reason, the sensitivity analysis may not necessarily indicate the total effect on QSuper's net assets attributable to unit holders of future movements in foreign exchange rates.

The tables below summarises QSuper's assets and liabilities which are denominated in non-Australian currencies:

Sensitivity of foreign exchange and changes on net assets

Effect of increase in AUD relative to foreign currency exchange rates	Movement %	30/06/14 $m	Movement %	30/06/13 $m
United States of America (USD)	10	90	10	(42)
European Union (EUR)	10	9	10	(7)
Japan (YEN)	5	(17)	5	(19)
Great Britain (GBP)	5	34	5	1
Canada (CAD)	5	(8)	5	(9)
Switzerland (CHF)	5	(10)	5	(9)
Hong Kong (HKD)	10	(12)	10	(9)
Sweden (SEK)	10	(7)	10	(6)
Singapore (SGD)	10	(7)	10	(3)
Other currencies	5	(21)	5	(5)
		51		**(108)**

Notes to the financial statements

for year ended 30 June 2014

Note 15 Financial instruments and risk management (continued)

Sensitivity of foreign exchange and changes on net assets

Effect of decrease in AUD relative to foreign currency exchange rates	Movement %	30/06/14 $m	Movement %	30/06/13 $m
United States of America (USD)	10	(110)	10	51
European Union (EUR)	10	(11)	10	9
Japan (YEN)	5	18	5	21
Great Britain (GBP)	5	(37)	5	(1)
Canada (CAD)	5	9	5	10
Switzerland (CHF)	5	11	5	10
Hong Kong (HKD)	10	15	10	12
Sweden (SEK)	10	8	10	7
Singapore (SGD)	10	8	10	4
Other currencies	5	23	5	5
Total		**(66)**		**128**

The percentages used in these sensitivity analyses reflect the Custodian's estimates of the maximum likely movements in exchange rates due to foreign exchange risk. These have been reviewed and are considered appropriate for use by QSuper.

Interest rate risk

Interest rate risk refers to the effect on the market value of 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.

QSuper's exposures to interest rate movements on its financial instruments, by maturity, at balance date are as follows.

30 June 2014	Floating interest rate $m	1 year or less $m	1 to 5 years $m	More than 5 years $m	Non-interest bearing $m	Total $m
Financial assets	11,604	95	75	49	39,509	51,332
Financial liabilities	–	–	–	(15)	(97)	(112)
Net	**11,604**	**95**	**75**	**34**	**39,412**	**51,220**

30 June 2013	Floating interest rate $m	1 year or less $m	1 to 5 years $m	More than 5 years $m	Non-interest bearing $m	Total $m
Financial assets	8,666	716	1,221	17	33,042	43,662
Financial liabilities	–	(2)	(23)	–	(642)	(667)
Net	**8,666**	**714**	**1,198**	**17**	**32,400**	**42,995**

The financial assets above equate to the total investments at balance date less investments in service providers

Notes to the financial statements

for year ended 30 June 2014

Note 15 Financial instruments and risk management (continued)

Interest rate sensitivity analysis

The sensitivity analysis has been determined based on the exposure to interest rates at the reporting dates. The analysis assumes that all other variables are held constant. The table only analyses interest bearing securities.

	Change in variable[1]		Sensitivity of interest income and changes on net assets	
	30/06/14	30/06/13	30/06/14 $m	30/06/13 $m
Interest rate	+ 50bps	+ 50bps	64	61
Interest rate	- 50bps	- 50bps	(64)	(61)

1 Basis Points – One basis point is equivalent to a 0.01% change.

(c) 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 net market value of investments as disclosed in the statement of net assets. 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 derivative instruments is, at any time, limited to those with positive fair values.

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.

There are no significant financial assets that are past due or impaired, and none have been renegotiated.

Credit quality per class of debt instruments

The tables below analyse the credit quality of debt instruments by using Standard & Poor's rating categories, in accordance with the investment mandate of QSuper, and is monitored on a regular basis in accordance with the credit risk profile. This review allows the Trustee to assess the potential loss as a result of risks and take corrective action.

The tables below also show the credit quality by class of assets as at 30 June 2014 and differentiates between long-term and short-term credit ratings.

Notes to the financial statements

for year ended 30 June 2014

Note 15 Financial instruments and risk management (continued)

Long-term credit ratings

	AAA to AA- $m	A+ to A- $m	BBB+ to B- $m	CCC+ to C- $m	Total $m
Fixed interest securities	133	75	–	–	208
Total	**133**	**75**	**–**	**–**	**208**

Short-term credit rating

	A1+ to A1 $m	Total $m
Discount securities	2,967	2,967
Total	**2,967**	**2,967**

Investments not included in the above table are net assets which do not have a credit rating assigned under Standard & Poor rating categories. Investments that are non-rated amount to $48,046m. Examples of non-rated assets include listed equities and unlisted unit trusts. The total value of investments held by QSuper is the sum of the non-rated assets and the investments detailed in the credit rating tables.

(d) 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 and monitored by the Investment Committee 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. Concentrations of risk at asset class level are managed by a number of different controls, which include exposure limits placed at security type, issuer, industry and geographical levels. Additional controls are in place for derivatives and QSuper's exposure is monitored daily with the unrealised profit and losses aggregated by counterparty.

(e) Liquidity risk

Liquidity risk is the risk that QSuper will encounter difficulty in meeting obligations associated with its financial liabilities. This risk is considered in the development of investment strategies and is controlled through QSuper's investment in financial instruments, which under normal market conditions are readily convertible into cash. In addition, QSuper maintains sufficient cash and cash equivalents to meet normal operating requirements. Derivatives are only used if there is sufficient cash and short term deposits in QSuper to back the derivative exposure at all times by ensuring asset allocations are within the Product Disclosure Statement (PDS) and operational ranges.

Notes to the financial statements

for year ended 30 June 2014

Note 15 Financial instruments and risk management (continued)

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements for QSuper. Vested Benefits have not been included, due to their long term nature and the unlikely probability that members would call upon the full amount. Further information on the current exposure in vested benefits is explained in Note 7 and the appendix to the financial statements. The contractual maturity of QSuper's derivatives are based on undiscounted cashflows.

30 June 2014	Less than 1 month $m	1-3 months $m	3-12 months $m	12-60 months $m	60+ months $m	Net market value $m
Financial liabilities:						
Benefits payable	10	–	–	–	–	10
Trade and other payables	119	–	–	–	–	119
Total undiscounted financial liabilities (excluding derivatives)	**129**	–	–	–	–	**129**
Derivatives:						
Fixed interest futures						
- Gross cash inflow	(1)	2	–	–	–	1
- Gross cash outflow	–	1	–	–	–	1
Forward foreign exchange contracts						
- Gross cash inflow	(59)	(24)	(1)	–	–	(84)
- Gross cash outflow	149	140	26	–	–	315
Other						
- Gross cash inflow	–	4	7	–	34	45
Total undiscounted derivatives inflow/(outflow)	**89**	**123**	**32**	–	**34**	**278**

30 June 2013	Less than 1 month $m	1-3 months $m	3-12 months $m	12-60 months $m	60+ months $m	Net market value $m
Financial liabilities:						
Benefits payable	17	–	–	–	–	17
Trade and other payables	46	–	–	–	–	46
Total undiscounted financial liabilities (excluding derivatives)	**63**	–	–	–	–	**63**
Derivatives:						
Fixed interest futures						
- Gross cash inflow	2	11	–	–	–	13
- Gross cash outflow	–	(12)	–	–	–	(12)
Forward foreign exchange contracts						
- Gross cash inflow	2	22	1	–	–	25
- Gross cash outflow	(143)	(334)	(152)	–	–	(629)
Other						
- Gross cash inflow	–	14	205	–	1,422	1,641
- Gross cash outflow	–	–	(153)	–	(1,430)	(1,583)
Total undiscounted derivatives inflow/(outflow)	**(139)**	**(299)**	**(99)**	–	**(8)**	**(545)**

Notes to the financial statements

for year ended 30 June 2014

Note 15 Financial instruments and risk management (continued)

(f) Fair value

QSuper's financial instruments are measured at net market value, which approximates net fair value. The methods of determining net market value are described in Note 3 (e).

(g) Securities lending

The Fund entered into a securities lending arrangement with State Street Bank and Trust Company on 2 July 2013, under which legal title to some of the Fund's assets may be transferred to another entity. The securities are loaned by State Street Bank and Trust Company, as agent of the Fund, to certain brokers and other financial institutions (the 'Borrowers'). The Borrowers provide cash, securities, or letters of credit as collateral against loans in an amount between 100.1% to 110.0% of the fair value of the loaned securities. AUD Cash collateral provided by the Borrowers is invested in the QSuper AUD Cash Collateral Trust; USD Cash collateral provided by the Borrowers is invested in the QSuper USD Cash Collateral Trust ('Securities Lending Trusts'). The investments of the Securities Lending Trusts include medium term, highly rated, floating rate securities.

The total net fair value of assets subject to securities lending arrangements at the end of the year amounts to $10,745m. The total value of securities on loan at 30 June 2014 which is recognised as an asset in the balance sheet, amounted to $405m.

During the year ended 30 June 2014, the gross earnings on securities lending collateral were $2m. These amounts were received and paid on behalf of the Fund and have been recognised in the statement of changes in net assets.

During the year ended 30 June 2014, the Fund paid fees to the State Street Bank and Trust Company in the amount of $0.4m for acting as lending agent.

Risks and indemnification

The risks and benefits of ownership of the loaned assets remain with the Fund. Consistent with the accounting policy note for recognition/derecognition of financial instruments, because the Fund continues to enjoy the risks and benefits of ownership, assets that have been loaned have not been derecognised (i.e. treated as having been sold).

State Street Bank and Trust Company, as lending agent, indemnifies the Fund for replacement of any loaned securities (or, in certain circumstances, return of equivalent cash value) due to a Borrower default on a security loan. The value of the Collateral held as at 30 June 2014 is $435m.

Note 16 Capital Guarantee

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 2014 (net of reimbursements) are $8m (2013: $8m)

Note 17 Insurance

Eligible employees of some employers are covered by external insurance arrangements, while the majority of QSuper members have their insurance provided by QSuper on a self-insurance basis (refer Note 8 and Note 3 (k)).

Notes to the financial statements

for year ended 30 June 2014

Note 18 Commitments, contingent assets and liabilities

As at 30 June 2014 QSuper, in conjunction with related parties, has committed to acquire retail property to the value of $295m with completion on 17 July 2014. A deposit of $18m has been included in Unlisted Unit Trusts in the financial statements.

QSuper via QSuper Investment Holdings Pty Ltd (refer note 21) has unfunded commitments with Investment Managers to the value of $1,150m as at 30 June 2014.

QSuper has a securities lending arrangement with State Street Bank and Trust Company (refer Note 15(g)) for which there is an indemnity for replacement of any loaned securities (or, in certain circumstances, return of equivalent cash value) due to a Borrower default on a security loan. The value of the Collateral held against loans of $405m as at 30 June 2014 is $435m.

QSuper has no other known commitments, contingent assets or liabilities as at 30 June 2014.

Note 19 Post balance date events

No other matters or circumstances have arisen since 30 June 2014 that has significantly affected or may significantly affect the operations in future financial years or the state of affairs of QSuper in subsequent financial years.

Note 20 Auditors' remuneration

	Notes	30/06/14 $'000	30/06/13 $'000
Auditor-General of Queensland			
Audit and review of financial statements		413	361
Audit and review services		**413**	**361**

Note 21 Investments in associated entities

QSuper Limited, QSuper Investment Company Pty Ltd, QSuper Investment Company No. 2 Pty Ltd and QSuper RE (a Luxembourg company) are wholly owned by the Board of Trustees of the State Public Sector Superannuation Scheme as trustee for the State Public Sector Superannuation Scheme ('QSuper'). QSuper Limited's principal activities consist of providing key administration and investment services to QSuper, as well as ancillary services to Queensland Treasury. These entities are not consolidated but are equity accounted under AASB 2013-5. The carrying amount of the investments in these entities approximates fair value.

QSuper Investment Holdings Pty Ltd, a subsidiary of QSuper Limited, is also the trustee for the following investment trusts where QSuper is the ultimate beneficiary.

QS International Strategy Trust	QSuper US Infrastructure Trust No.2 (Open)
QS US Strategy Trust	QSuper Australian Infrastructure Equity Trust
QSuper Global Private Equity Trust	QSuper NZ Infrastructure Equity Trust
QSuper Global Real Estate Trust	QSuper Investments Trust
QSuper Global Real Estate Debt Trust	QS High Duration Bonds Trust
QSuper US RE Trust No. 1	QSuper Diversified Alternatives Trust
QSuper Global Infrastructure Trust	QSuper Long Term Risk Hedging 10 Trust
QSuper European Infrastructure Trust	QSuper Long Term Risk Hedging 20 Trust
QSuper US Infrastructure Trust	

Notes to the financial statements

for year ended 30 June 2014

Note 21 Investments in associated entities (continued)

The table below describes the investment in the above trusts, set out by investment strategy.

Investment strategy	30/06/2014 $m	Exposure %	Financial statement caption
Cash and fixed interest	7,212	63.01%	Unlisted unit trusts - cash and fixed interest
Private equity & alternatives	1,837	16.06%	Unlisted unit trusts - private equity & alternatives
Infrastructure	1,401	12.24%	Unlisted unit trusts - infrastructure
Equity & futures	517	4.52%	Unlisted unit trusts - equity & futures
Property	478	4.17%	Unlisted unit trusts - property
Total	**11,445**	**100%**	

As at 30 June 2014, the total assets exceeded the total liabilities of these trusts.

Statement of the Board of Trustees of the State Public Sector Superannuation Scheme

for year ended 30 June 2014

In the opinion of the Board of Trustees of the State Public Sector Superannuation Scheme (QSuper):

1. The accompanying financial statements of QSuper are properly drawn up so as to present a true and fair view of the net assets of QSuper as at 30 June 2014 and the changes in net assets for the year ended on that date.
2. The accompanying financial statements have been prepared in accordance with the provisions of the *Superannuation (State Public Sector) Act 1990*, *Supervision Industry (Supervision) Act 1993* and Regulations, Requirements under Section 13 of the *Financial Sector (Collection of Data) Act 2001*, and with Australian Accounting Standards and other mandatory professional reporting requirements in Australia.
3. The accompanying financial statements are in agreement with the accounts and records of QSuper and the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects.
4. QSuper has been conducted in accordance with the *Superannuation (State Public Sector) Deed 1990* and the requirements of the *Superannuation (State Public Sector) Act 1990*.

Karl Morris
Chairman

Rosemary Vilgan
Chief Executive Officer

3 September 2014
Brisbane

Independent auditor's report to the Board of Trustees of the State Public Sector Superannuation Scheme

To the Board of Trustees of the State Public Sector Superannuation Scheme (QSuper) (ABN 60 905 115 063)

Report by RSE Auditor to the trustees and members

Financial statements

I have audited the financial statements of the State Public Sector Superannuation Scheme for the year ended 30 June 2014 comprising the Statement of Changes in Net Assets, the Statement of Net Assets, Summary of Significant Accounting Policies, and other explanatory notes.

Trustees' responsibility for the financial statements

The superannuation entity's trustees 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 and the Superannuation Industry (Supervision) Regulations 1994*. The trustees are 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.

Auditor's responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I have conducted an independent audit of the financial statements in order to express an opinion on them to the trustees and members of the State Public Sector Superannuation Scheme.

My audit has been conducted in accordance with Australian Auditing Standards. These Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the trustees' preparation and fair presentation of the financial statements 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 trustees' internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the trustee(s), as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independence

The *Auditor-General Act 2009* promotes the independence of the Auditor-General and all authorised auditors. The Auditor-General is the auditor of all Queensland public sector entities and can only be removed by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

Opinion

In my opinion, the financial statements present fairly, in all material respects, in accordance with Australian Accounting Standards the net assets of the State Public Sector Superannuation Scheme as at 30 June 2014 and the changes in net assets for the year ended 30 June 2014.

K JOHNSON FCA

Karen Johnson

Assistant Auditor General of Queensland
(as delegate of the Auditor General of Queensland)

Queensland Audit Office
Brisbane
4 September 2014

Appendix: Summary of the Actuarial investigation of the State Public Sector Superannuation Scheme (QSuper)

as at 30 June 2013

An actuarial investigation of QSuper was conducted as at 30 June 2013 by State Actuary Mr W H Cannon. A summary of the investigation is given below, with the full report available at http://qsuper.qld.gov.au/document/reporting/actuarial-report-2013.pdf.

Funding arrangements

The defined benefits payable by QSuper are funded by the accumulated amounts of members' and employer contributions across both QSuper and the Employer Fund, held by the State for this purpose. The practice of fully funding QSuper's liabilities has been upheld for many years by successive Governments, and security of entitlements is legislatively guaranteed by Government. The Actuary has assumed that this will continue for the foreseeable future.

Financial condition

Including the Employer Fund, assets exceeded accrued liabilities by $5.95 billion, compared with a $1.4 billion surplus at the 2010 valuation. This increase is largely due to strong investment returns since the last review. In view of the strong funding position, the Actuary has recommended that existing contribution rates be maintained, as shown below:

Category	Employer contribution rate
DB standard	7.75% of salary + 1.00 x member contributions
DB police	6.00% of salary + 2.00 x member contributions
State category	4.75% of salary + 1.00 x member contributions
Police category	3.00% of salary + 2.00 x member contributions
Parliamentary category	5.00 x member contributions

The Actuary has certified that the scheme's liabilities are expected to be adequately provided for by the assets in the QSuper Fund, together with investment earnings, member contributions and last minute State contributions through transfers from the Employer Fund to QSuper.

Value of assets

As at 30 June 2013	$ million
QSuper Fund	43,768
Employer Fund	25,203

Vested benefits

Vested benefits are those that would be payable if all members voluntarily left at once. These have been defined as either early retirement benefits (for eligible members) or resignation benefits. The fund's coverage of vested benefits - expressed as its vested benefits index (VBI) - indicates the scheme's short-term financial condition.

As at 30 June 2013, the value of vested benefits after allowing for the estimated contributions tax was $66,098 million, implying a scheme VBI of 104.3%. For active defined benefit members only, the VBI was 117.1%.

Accrued benefits

Accrued benefits are those that a scheme must provide in the future for membership completed before the reporting date. The relationship between a scheme's assets and the present value of accrued benefits indicates the fund's ability to meet benefits on an ongoing basis.

The actuarial value of accrued benefits as at 30 June 2013 was $63,018 million, including an allowance for an estimate of contributions tax. The ratio of the value of assets to the actuarial value of accrued benefits for active members only was 135.8%, which indicates the assets were more than sufficient to provide for the present value of accrued benefits.

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