



2016 Annual Report

You're with a top-rated fund



Important information

The 2016 Annual Report forms part of what is officially known as your annual statement, and must be read in conjunction with *Your 2016 Super Statement*, *Your 2016 Super Transactions* and *Your 2016 Super Notes*.

This report and the QSuper products held by you 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 isn't licensed to provide financial product advice, but we know you may like advice, in which case you can call us on 1300 360 750 and we'll put you in touch with a licensed advice provider. When we say 'the QSuper Group', we're talking about the QSuper Board, QSuper Limited (ABN 50 125 248 286, AFSL 334546) or QInvest Limited (ABN 35 063 511 580 AFSL 238274), unless the context we're using it in suggests otherwise. And so you know, QSuper Limited and QInvest Limited are ultimately owned by the QSuper Board as trustee for the QSuper Fund.

We've put this information together as general information only so keep in mind that it doesn't take into account your personal objectives, financial situation or needs, it shouldn't be relied on as legal or taxation advice and doesn't take the place of this type of advice. What we say about law or proposals is based on our interpretation of the law or proposals at the time we issued this document. You should consider whether the product is appropriate for you by reading a copy of the product disclosure statement before making a decision – you can do this by downloading a copy from our website at qsuper.qld.gov.au or call us on 1300 360 750.

Chant West

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Conexus

The Conexus Financial Superannuation Awards are determined using proprietary methodologies. Winning funds are determined on a range of criteria set and applied by an independent expert selection committee. Awards were issued March 4, 2016 and are solely statements of opinion and do not represent recommendations to purchase, hold, or sell any securities or make any other investment decisions. Ratings are subject to change. Past performance is not a reliable indicator of future performance.

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About QSuper

We're one of Australia's largest superannuation funds, with more than \$65 billion in funds under management. From humble beginnings over a century ago, today we manage the retirement savings of more than 556,000 members.

And though we've grown significantly, we still care about our members more than anything else. Always have, always will. So everything we do is designed to help them achieve better financial outcomes.

From industry-leading products and award-winning¹ service to our great range of seminars and innovative tools that focus on our members' overall financial wellbeing, we're constantly looking at better ways to do things so our members can feel confident we're putting their financial future first.

The QSuper Board's products and services are made up of a range of diverse superannuation fund services, including the financial advice business QInvest and the mortgage broking advice QInvest Loanfinder.² We manage much of our end-to-end administration and insurance in-house, with QSuper launching QInsure,³ our own life insurance company, on 1 July 2016.

About our annual report

We're pleased to present our annual report for the 12 months ending 30 June 2016. We've prepared this report for Queensland Parliament, our members, and those organisations that take an interest in QSuper.

Our annual report is an important part of our corporate governance framework, and gives a snapshot of our activities over the year. It includes information about the QSuper Fund's performance, achievements, financial position and management.

¹ QSuper was named Best Fund: Member Services at the 2016 Chant West Super Fund Awards. ² 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. ³ QInsure Limited (ABN 79 607 345 853) is ultimately owned by the QSuper Board as trustee for the QSuper Fund. QInsure provides death, total and permanent disability and income protection cover through a group life policy issued to the QSuper Board.

The Chairman's report

Karl Morris

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



Members are at the heart of everything we do at QSuper. They always have been and always will be. And that's what guides me and my fellow Board members in all our decisions. The QSuper Board, as trustee of a profit-for-members fund, is driven by the best interests of our members.

This will in no way change as the QSuper Fund embraces one of the biggest opportunities in our long history – being open to more members following the Board's decision to seek changes to legislation and to vary our superannuation licence. Proposed amendments to enable friends, family and others to be eligible to join the QSuper Fund are currently before the Queensland Parliament, together with changes enabling our members to have their choice of fund. Our new CEO, Michael Pennisi provides more information in his CEO report, but the QSuper Board is very much looking forward to continuing to work for our members, and the prospect of opening our doors to new members, and to work with them to build their retirement dreams.

It comes at a particularly exciting time for QSuper, as we embark on a new strategic vision that builds on our past work to personalise our products, services and communication so we can continue to meet our members' different and unique needs. While super is absolutely at the core of what we do, our strategy also looks holistically at how we can help our members' financial journey through life. It's a shift in the way we look at our business, and everything we do.

So with members absolutely front and centre in our focus, we're delivering exciting innovations and forging ahead as the industry leader in many areas.

Out in front

And while we certainly don't do this for the accolades, it is very pleasing to be recognised by industry research agencies for our commitment to providing our members with outstanding products and services. It's been an exceptional year for QSuper in this regard, being named SuperRatings Fund of the Year for 2016, MySuper of the Year for our Best Value for Money Default Offering and Conexus Pension Fund of the Year 2016, as well as being recognised for our best-in-class member services and innovation.¹

A new way of looking at insurance

Insurance has been very much a part of the superannuation conversation over the past few months, and trust in this area is at an all-time low. So when the QSuper Board was unable to find an insurer that we believed would provide all our members with the cover we want them to have at an appropriate premium, we did what no other profit-for-member fund in the country has done and formed our own life insurance company, QInsure. Our new insurance offering is effective from 1 July 2016, and our members

can take comfort that this is another area where we are putting members' needs first.

Broader industry changes

It's just another example that this is an industry that keeps evolving and we not only have to change with it, we need to lead that change.

We also need to be there for our members to guide them through an uncertain external landscape. This year's Federal Budget put super very much front and centre, with the proposals forming some of the most significant changes to the system in many years. QSuper will of course be playing a very active role in the industry consultation that will happen over the coming months as the reform proposals are shaped into legislation. At the same time we'll be providing members with the information and advice they need to navigate the changes.

Some well-deserved thanks

We can't achieve great outcomes for our members without great leaders, so on behalf of the QSuper Board I want to recognise the outstanding contributions of our former Chief Executive Officer Rosemary Vilgan. Rosemary left an important legacy – both here at QSuper and also in the broader Australian super industry. It's fair to say many thousands of Queenslanders will retire with more certainty thanks to her commitment to deliver greater financial dignity for members.

I also want to thank our Chief Executive Officer Michael Pennisi and the rest of the QSuper Executive Committee for their great stewardship during what's been a very big year. Thanks also to our staff who live, breathe and most importantly deliver on our single-most important commitment to always put our members first.

On behalf of the QSuper Board, I want to recognise the contributions of Melissa Babbage during her two-and-a-half year tenure as a Trustee. We thank her for her service to the Board and her work as Chair of the Investment Committee. Thanks also to those independent Committee members who left the Fund during the year – Michael Rice and Ian Macoun from the Investment Committee, and Stephen Maitland from the Audit & Risk Committee.

We welcome some new faces to the Board and Committee tables – our new Trustee is Terry Mackenroth, and our new Investment Committee members are Michael Drew and Chris Condon, while Jonathan Dooley joins our Audit & Risk Committee.

Karl Morris

¹ QSuper was named Best Fund: Member Services and Best Fund: Innovation at the 2016 Chant West Super Fund Awards. Past performance is not a reliable indicator of future performance. Awards and ratings are only one factor when deciding how to invest your super.

Our key achievements

1 A super bonus right when our members need it most

Innovation is at the core of what we do at QSuper and this year we led the industry by introducing our Income Account Transfer Bonus. When eligible members move from a QSuper Accumulation account to a QSuper Income account the QSuper Fund's capital gains tax liability reduces, and we've identified a way to credit this to eligible members. It's just another way we're helping to provide even better retirement outcomes to our members.

2 Driving better value for money for our members

This year we reduced our admin fee for our Accumulation and Income accounts from 0.22% p.a. to 0.20% p.a., and we also reduced our admin fee cap to \$1,000. It's just another way we're providing the best value for money in the industry.¹ And our value-for-money focus is one of the reasons we were named SuperRatings Fund of the Year 2016.

3 Leaders in our field

As well as winning SuperRatings Fund of the Year 2016, we also won a number of other awards during the year. These include:

- **SuperRatings 2016 MySuper of the Year winner – for QSuper Lifetime**
- **SuperRatings 2016 Best New Product winner – for Money Map**
- **Best Fund: Member Services at the 2016 Chant West Super Fund Awards**
- **Best Fund: Innovation at the 2016 Chant West Super Fund Awards**
- **2016 Conexus Large Fund of the Year winner**
- **2016 Conexus Pension Fund of the Year winner.**

4 Super Scoop is now online and more relevant than ever

In 2015/2016 we continued our digitisation journey with the digital launch of our member magazine *Super Scoop*. Now members can jump on our website and find a whole range of more personalised and dynamic stories covering topics around their career, lifestyle and finances. It's all about talking with our members about subjects that are interesting and relevant to them.



5 Simpler annual statements

We know super can sometimes seem confusing, which is why we worked hard to develop new-look annual statements for members. The new look and feel is simpler and clearer so we can help our members understand where their super is at and what estimated annual retirement income figure they're on track to receive.²

6 Helping our members better manage their everyday finances

Last financial year we launched Money Map – our industry-leading and award-winning³ tool that allows our members to see everything they own and owe in once place. Now with more than 22,000 registered users it's just another way we are helping our members to achieve even greater overall financial wellbeing.

7 Super is just one part of the picture

We want our members to better understand and manage their finances. Just one way we're helping to do this is through FinFit – our online financial literacy tool that's offered to our members through some of our larger employers. Launched during the year, it's also supported by workplace talks on more than 20 finance-related topics.

Financial summary

This is an abridged version of the QSuper Fund's financial statements. You can find the full audited financial statements and Auditor's Report from page 30 of this report.

	30/06/16 \$m	30/06/15 \$m
Statement of Net Assets at 30 June 2016		
Assets		
Investments		
Cash and short term deposits	3,641	11,940
Equities	17,415	17,410
Listed trusts	1,118	1,036
Derivative assets	565	333
Margin accounts	844	366
Other interest bearing securities	11,955	2,972
Unlisted unit trusts	28,961	23,845
Investments in service providers	102	97
	64,601	57,999
Other assets		
Cash	130	53
Contributions receivable	84	85
Sundry receivables and prepayments	1,311	1,577
	1,525	1,715
Total assets	66,126	59,714
Liabilities		
Benefits payable	11	10
Administration and investment management fees payable	15	30
Sundry payables	110	36
Derivative liabilities	102	289
Current tax liabilities	214	181
Deferred tax liabilities	549	432
Provision for superannuation contributions surcharge	49	53
Total liabilities	1,050	1,031
Net assets available to pay benefits	65,076	58,683
Represented by		
Reserves	1,299	1,153
Accumulated member funds	63,777	57,530
Total liability for accrued benefits	65,076	58,683

	30/06/16 \$m	30/06/15 \$m
Statement of Changes in Net Assets for the year ended 30 June 2016		
Investment revenue		
Dividends and distributions	3,267	3,758
Change in net market value of investments	1,075	1,713
Interest revenue	105	70
Other income	176	23
	4,623	5,564
Contribution revenue		
Employer contributions	4,575	4,464
Member contributions	1,125	1,167
Transfers from other funds	1,139	1,103
	6,839	6,734
Total revenue	11,462	12,298
Expenses		
Benefits paid	3,819	3,633
Administration fee	179	174
Direct investment expenses	79	123
Insurance premiums	104	76
Financial planning fee	18	19
Other expenses	10	9
Total expenses	4,209	4,034
Change in net assets before income tax	7,253	8,264
Less Income tax expense	860	890
Change in net assets after income tax	6,393	7,374
Net assets available to pay benefits at the beginning of the financial year	58,683	51,309
Net assets available to pay benefits at the end of the financial year	65,076	58,683

The CEO's report

Michael Pennisi

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



●● Our members always come first. This drives every decision we make and we are committed to ensuring that members can look forward to their retirement being some of their best years. ●●

At QSuper we're always looking at ways to do more for our members. For more than 100 years, we've been looking after our members' retirement savings and it's a responsibility we take very seriously. We know that our members often perform some of the toughest jobs in the community, so we have an important role to play in ensuring that they are protected both today while they go about their lives, and in the future when they retire.

That's why we continually develop new products and services, including insurance that provides a suite of options for members to tailor their insurance cover to meet their needs at every stage of their life. As part of this, QSuper has launched a wholly-owned life insurance company, QInsure. This is a first for any profit-for-members fund and will help us provide even more options in the future.

Innovation driven

QSuper is proudly Queensland's largest fund and has been recognised by independent ratings houses as being among the best funds in the country for strong investment performance, low fees and innovation. This includes being awarded Fund of the Year by SuperRatings for 2016, as well as MySuper of the Year and Best New Product. We were also awarded Best Fund for Innovation and Best Fund for Member Services by Chant West this year, and Pension Fund of the Year and Large Fund of the Year by Conexus Financial.

Continuing to explore and develop new, meaningful and market-leading products and services that help to improve the financial wellbeing of our members is what drives us.

I'm extremely proud that in the past twelve months we have delivered a number of new products and services. This includes the Income Account Transfer Bonus, which gives many of our Accumulation account members a potential boost to their super balance when they open a QSuper Income account. By applying some smart thinking, we delivered another industry first, and while this Transfer Bonus amount varies, depending on things such as a member's eligibility, super balance, investment options (past and present), the QSuper Fund's tax position, and the time of the transfer, we know that every dollar helps.

QSuper has a long history of leading the industry in providing access to advice and help. We also know that our members are increasingly engaging with their finances via digital platforms. That's why we created Money Map, an online tool which allows members to bring together their QSuper account with all of their other financial information and accounts into one secure, online dashboard. By creating a complete financial picture, we're helping our members manage their total retirement position. Together with online advice provided at no additional cost on the QSuper website, members have more help than ever before.

We're also offering more of our communications online, like our flagship member newsletter, *Super Scoop*. We regularly update *Super Scoop* with the latest news and includes topics that we know are important to our members such as careers, health, lifestyle and finances.

All of this is in addition to the help that is provided everyday through our contact centre, state wide seminar program and financial planning advice through QInvest. We know that superannuation can sometimes seem confusing but it doesn't have to be. Our goal is to ensure that every one of our members has access to all of the information they need to make decisions, and offer industry leading investment options for those that wish to entrust these decisions to QSuper.

We'll soon be open to everyone

You may have heard that we're about to embark on a new era for the QSuper Fund. Following consultation with the QSuper Board, the Queensland Government has announced proposed changes about who is eligible to join QSuper, and it is expected that your family members and friends will be able to join QSuper in 2017.

We'll continue to keep you informed of changes happening at QSuper, but in the meantime we're committed to working with all of our members throughout their lives to create a better financial future.

That's our focus and it will never change.

Michael Pennisi

Our products

Accumulation account

Our QSuper Accumulation account is designed for members in the growth stage of their working life and is open to current and former Queensland Government employees and their spouses.

With an Accumulation account, members can take an active role in how their superannuation is invested by choosing from ten different investment options ranging from higher risk/higher return to lower risk/lower return. If members don't choose how they want their money invested, we place them into our default option, QSuper Lifetime.

Our Self Invest option caters to those members who want the highest level of control and flexibility over how their superannuation is invested by giving them the ability to invest in Australian shares, exchange traded funds and term deposits.

QSuper members who don't work for the Queensland Government have the option for their employer to make their superannuation contributions into their Accumulation account on their behalf. As at 30 June 2016, more than 55,000 members were using this option.

	30 June 2015	30 June 2016
Accumulation account		
Accounts (active) ¹	301,484	322,512
Accounts (retained) ¹	460,903	485,842
Income protection benefits paid	4,224	4,487
Rollovers to the QSuper Fund	43,690	45,924
Members making voluntary contributions	80,446	83,495
Accumulation accounts opened via spouse deposits	1,992	1,874
Income		
Contribution	\$4,478m	\$4,762m
Investment	\$4,100m	\$3,464m
Total	\$8,578m	\$8,226m
Net transfers to/(from) other products	\$956m	\$516m
Expenditure	\$2,934m	\$3,080m
Balance of accounts	\$40,710m	\$45,340m

Income account

Our Income account is an account-based pension product that allows members to use their superannuation funds to provide an income 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 stream while they're still working. We opened this transition to retirement option to members in July 2006, and as at 30 June 2016, we had 7,103 members with a Transition to Retirement Income account.

	30 June 2015	30 June 2016
Income account		
Accounts	37,750	41,646
New accounts opened	10,877	8,269
Income		
Contribution	\$0m	\$0m
Investment	\$1,062m	\$1,009m
Total	\$1,062m	\$1,009m
Net transfers to/(from) other products	(\$2,591m)	(\$2,061m)
Expenditure	\$1,152m	\$1,405m
Balance of accounts	\$12,936m	\$14,601m

¹ Some QSuper members have multiple accounts.

Our goal is to help members feel confident that with QSuper, they can look forward to their best years.

So we offer simple yet intelligent products that cater to our members' changing needs throughout their lives. We continually review, refine and improve our products and services to help to achieve greater financial wellbeing and better retirement outcomes for all our members.

Defined Benefit account

A QSuper Defined Benefit account provides superannuation 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 (QTC) on behalf of the Queensland Government, which when combined with the employee contributions, fund the benefits of our Defined Benefit account members as required.

The Defined Benefit account is closed to new members.

Defined Benefit account	30 June 2015	30 June 2016
Accounts (active)	50,261	47,569
Accounts (retained) ¹	36,494	34,447
Benefit payments		
Age retirement	3,853	3,444
Permanent disability	186	162
Resignation	1,079	949
Retrenchment	588	249
Income protection benefits paid	1,210	1,234
Income		
Contribution	\$2,256m	\$2,077m
Investment	\$402m	\$150m
Total	\$2,657m	\$2,227m
Net transfers to/(from) other products	\$1,635m	\$1,545m
Expenditure	\$838m	\$584m
Balance of accounts ²	\$5,037m	\$5,135m

State and Police accounts

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

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

State and Police accounts	30 June 2015	30 June 2016
Accounts	847	781
Benefit payments		
Age retirement	72	62
Ill-health retirement	5	6
Death	4	0
Resignation	1	4
Retrenchment/redundancy	4	5
Total	86	77
Income protection benefits paid	18	12
Income	Included in Defined Benefit account table on the left	Included in Defined Benefit account table on the left
Expenditure	Included in Defined Benefit account table on the left	Included in Defined Benefit account table on the left
Balance of accounts	Included in Defined Benefit account table on the left	Included in Defined Benefit account table on the left

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. All employer contributions are held in a reserve managed by QTC.

QSuper Fund investments



Australian shares



International shares



Fixed interest



Cash



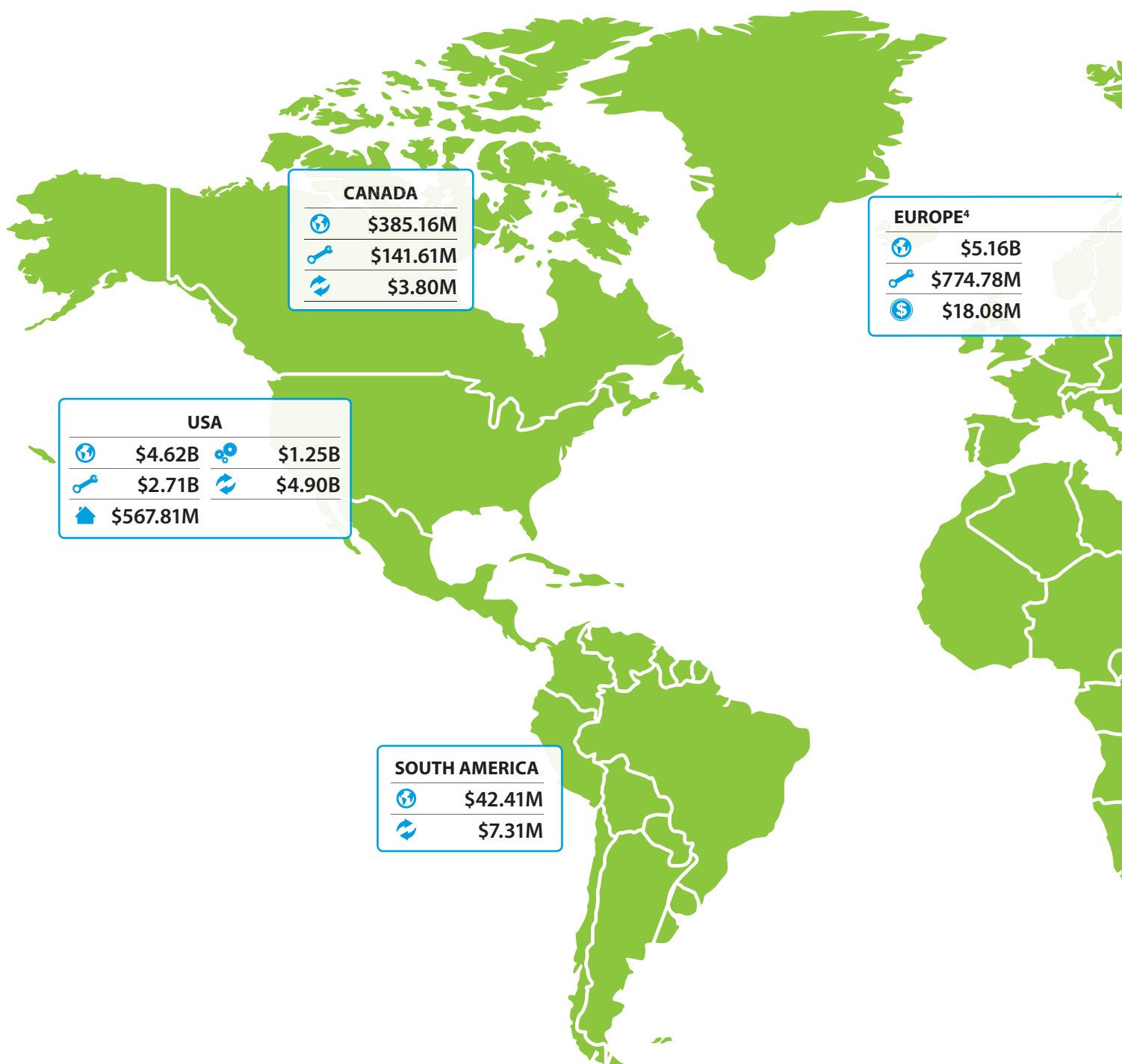
Real estate



Infrastructure



Alternatives

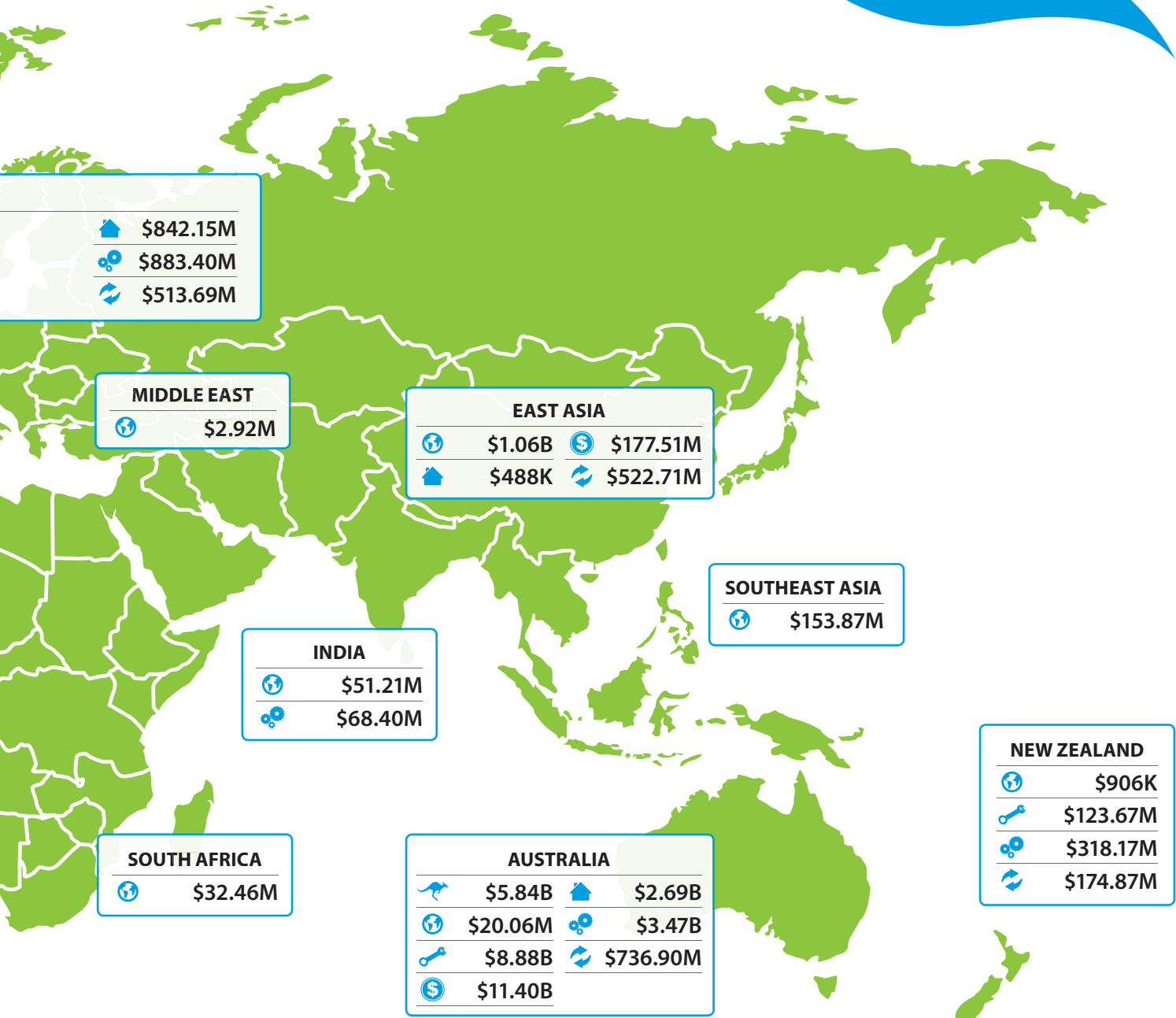


Having a well diversified portfolio¹ for the QSuper Fund helps deliver more stable returns² for our members, with assets that total more than \$65 billion³ across 42 countries.

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

'International assets can make a strong contribution to managing both risk and return for our members. We seek out those opportunities on a global scale.'

Brad Holzberger,
Chief Investment Officer,
QSuper Limited



¹ The term 'portfolio' is used to refer collectively to the underlying portfolios of assets which in combination make up the individual asset allocations excluding the Socially Responsible, Diversified Bonds and Self Invest investment options.
² Past performance is not a reliable indicator of future performance. Each of our investment options has a different objective, risk profile and asset allocation.
³ This total asset figure does not equal \$65 billion as not all QSuper Fund assets are included either due to an immaterial holding or an inability to look through to assets/country level for certain investments.
⁴ Countries in the Eurozone. Does not reflect any changes resulting from Britain's decision to exit the European Union.

Our investment options

QSuper Lifetime Default option for the Accumulation account



Outlook You're under 40

This is the default group for the Accumulation account for members under age 40.

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 three and four times in every 20 years.



Fees

Management fees for 2015/2016

Administration fee % ¹	Investment fee %	Investment performance fee %	Total %
0.20	0.42	0.31	0.93

Asset allocations

	Actual asset allocations (%) year ended 30 June 2015	Actual asset allocations (%) year ended 30 June 2016 ²	Ranges (%)
Cash	4	6	0–15
Fixed interest ³	21	20	0–35
Property	9	9	0–25
Australian shares	14	11	5–30
International shares	19	24	5–45
Alternative assets	20	16	0–30
Infrastructure	13	14	0–25

Investment returns^{4,5}

	Accumulation account %	Income account %
12 months	6.53	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

This is the default group for the Accumulation account for 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 three and four times in every 20 years.



Fees

Management fees for 2015/2016

Administration fee % ¹	Investment fee %	Investment performance fee %	Total %
0.20	0.36	0.25	0.81

Asset allocations

	Actual asset allocations (%) year ended 30 June 2015	Actual asset allocations (%) year ended 30 June 2016 ²	Ranges (%)
Cash	4	6	0–15
Fixed interest ³	21	20	0–35
Property	9	9	0–25
Australian shares	14	11	5–30
International shares	19	24	5–45
Alternative assets	20	16	0–30
Infrastructure	13	14	0–25

Investment returns^{4,5}

	Accumulation account %	Income account %
12 months	6.63	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

This is the default group for the Accumulation account for 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 three and four times in every 20 years.



Fees

Management fees for 2015/2016

Administration fee % ¹	Investment fee %	Investment performance fee %	Total %
0.20	0.36	0.25	0.81

Asset allocations

	Actual asset allocations (%) year ended 30 June 2015	Actual asset allocations (%) year ended 30 June 2016 ²	Ranges (%)
Cash	5	6	0–20
Fixed interest ³	35	36	10–60
Property	7	8	0–25
Australian shares	11	8	5–30
International shares	15	19	5–45
Alternative assets	16	13	0–30
Infrastructure	11	11	0–25

Investment returns^{4,5}

	Accumulation account %	Income account %
12 months	7.58	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 for Accumulation and Income accounts. Please see our website at qsuper.qld.gov.au for more information. **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** Return net of administration and investment fees and taxes.

QSuper Lifetime Default option for the Accumulation account



Focus 1 You're 50-57

This is the default group for the Accumulation account for 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 two and three times in every 20 years.



Fees

Management fees for 2015/2016

Administration fee % ¹	Investment fee %	Investment performance fee %	Total %
0.20	0.32	0.21	0.73

Asset allocations

	Actual asset allocations (%) year ended 30 June 2015	Actual asset allocations (%) year ended 30 June 2016 ²	Ranges (%)
Cash	5	6	0–20
Fixed interest ³	35	35	10–60
Property	7	8	0–25
Australian shares	11	9	5–30
International shares	15	19	5–45
Alternative assets	16	13	0–30
Infrastructure	11	11	0–25

Investment returns^{4,5}

	Accumulation account %	Income account %
12 months	6.47	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 default group 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 two and three times in every 20 years.



Fees

Management fees for 2015/2016

Administration fee % ¹	Investment fee %	Investment performance fee %	Total %
0.20	0.32	0.21	0.73

Asset allocations

	Actual asset allocations (%) year ended 30 June 2015	Actual asset allocations (%) year ended 30 June 2016 ²	Ranges (%)
Cash	5	5	0–25
Fixed interest ³	42	43	20–70
Property	6	7	0–20
Australian shares	10	7	5–25
International shares	13	16	5–40
Alternative assets	14	11	0–25
Infrastructure	9	10	0–20

Investment returns^{4,5}

	Accumulation account %	Income account %
12 months	6.32	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

This is the default group for the 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 two and three times in every 20 years.



Fees

Management fees for 2015/2016

Administration fee % ¹	Investment fee %	Investment performance fee %	Total %
0.20	0.32	0.21	0.73

Asset allocations

	Actual asset allocations (%) year ended 30 June 2015	Actual asset allocations (%) year ended 30 June 2016 ²	Ranges (%)
Cash	6	5	0–30
Fixed interest ³	49	51	30–75
Property	5	6	0–20
Australian shares	8	6	0–20
International shares	11	14	5–35
Alternative assets	12	10	0–25
Infrastructure	8	8	0–20

Investment returns^{4,5}

	Accumulation account %	Income account %
12 months	6.14	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 for Accumulation and Income accounts. Please see our website at qsuper.qld.gov.au for more information. **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** Return net of administration and investment fees and taxes.

Our Investment options

QSuper Lifetime Default option for the Accumulation account



Sustain 1 You're 58 or over

This is the default group for the Accumulation account for members aged 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% (after fees and tax), measured over rolling 10-year periods.

Risk

Investors should be aware that a negative annual return is expected between 0.5 and once in every 20 years.



Fees

Management fees for 2015/2016

Administration fee % ¹	Investment fee %	Investment performance fee %	Total %
0.20	0.21	0.13	0.54

Asset allocations

	Actual asset allocations (%) year ended 30 June 2015	Actual asset allocations (%) year ended 30 June 2016 ²	Ranges (%)
Cash	51	53	40–75
Fixed interest ³	11	10	0–35
Property	5	5	0–20
Australian shares	7	5	0–20
International shares	10	12	0–30
Alternative assets	10	8	0–25
Infrastructure	7	7	0–20

Investment returns^{4,5}

	Accumulation account %	Income account %
12 months	4.23	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 or over

This is the default group for the Accumulation account for members aged 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.



Fees

Management fees for 2015/2016

Administration fee % ¹	Investment fee %	Investment performance fee %	Total %
0.20	0.21	0.13	0.54

Asset allocations

	Actual asset allocations (%) year ended 30 June 2015	Actual asset allocations (%) year ended 30 June 2016 ²	Ranges (%)
Cash	71	73	50–90
Fixed interest ³	6	6	0–35
Property	3	3	0–20
Australian shares	4	3	0–20
International shares	6	7	0–25
Alternative assets	6	5	0–25
Infrastructure	4	4	0–20

Investment returns^{4,5}

	Accumulation account %	Income account %
12 months	3.20	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



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 0.5 and once in every 20 years.



Fees

Management fees for 2015/2016

Administration fee % ¹	Investment fee %	Investment performance fee %	Total %
0.20	0.21	0.12	0.53

Asset allocations

	Actual asset allocations (%) year ended 30 June 2015	Actual asset allocations (%) year ended 30 June 2016 ²	Ranges (%)
Cash	58	57	40–70
Fixed interest ³	10	10	2.5–17.5
Property	4	4	0–10
Australian shares	6	5	2.5–15
International shares	10	12	2.5–22.5
Alternative assets	7	6	0–12.5
Infrastructure	6	6	0–10

Investment returns^{4,5}

	Accumulation account %	Income account %
12 months	4.01	4.49
3 years p.a.	6.56	7.20
5 years p.a.	6.40	7.18
10 years p.a.	5.15	5.81

1 Administration fees are capped for Accumulation and Income accounts. Please see our website at qsuper.qld.gov.au for more information. **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** Return net of administration and investment fees and taxes.

Ready Made (continued)



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 two and three times in every 20 years.



Fees

Management fees for 2015/2016

Administration fee % ²	Investment fee %	Investment performance fee %	Total %
0.20	0.36	0.24	0.80

Asset allocations

	Actual asset allocations (%) year ended 30 June 2015	Actual asset allocations (%) year ended 30 June 2016 ³	Ranges (%)
Cash	15	13	0–25
Fixed interest ⁴	19	19	5–35
Property	7	9	0–20
Australian shares	12	10	5–30
International shares	20	23	5–45
Alternative assets	15	13	0–25
Infrastructure	11	12	0–20

Investment returns^{5,6}

	Accumulation account %	Income account %
12 months	6.01	6.88
3 years p.a.	10.57	11.49
5 years p.a.	9.61	10.63
10 years p.a.	6.38	7.22

Socially Responsible¹

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 four and six times in every 20 years.



Fees

Management fees for 2015/2016

Administration fee % ²	Investment fee %	Investment performance fee %	Total %
0.20	0.66	0.01	0.87

Asset allocations

	Actual asset allocations (%) year ended 30 June 2015	Actual asset allocations (%) year ended 30 June 2016 ³	Ranges (%)
Cash	13	11	0–15
Fixed interest	18	19	0–45
Property	9	9	0–20
Australian shares	28	27	20–40
International shares	31	30	15–42
Alternative assets	2	4	0–6
Infrastructure	–	–	0–7

Investment returns^{5,6}

	Accumulation account %	Income account %
12 months	-1.83	-2.18
3 years p.a.	6.95	7.89
5 years p.a.	7.38	8.46
10 years p.a.	4.72	5.34



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 four and six times in every 20 years.



Fees

Management fees for 2015/2016

Administration fee % ²	Investment fee %	Investment performance fee %	Total %
0.20	0.38	0.28	0.86

Asset allocations

	Actual asset allocations (%) year ended 30 June 2015	Actual asset allocations (%) year ended 30 June 2016 ³	Ranges (%)
Cash	4	1	0–15
Fixed interest ⁴	6	5	0–20
Property	7	7	0–20
Australian shares	21	21	15–45
International shares	37	39	25–55
Alternative assets	16	15	0–25
Infrastructure	11	13	0–20

Investment returns^{5,6}

	Accumulation account %	Income account %
12 months	2.03	2.11
3 years p.a.	11.26	12.00
5 years p.a.	10.31	11.27
10 years p.a.	5.92	6.90

¹ This option is managed externally through AMP Capital Investors Limited. Asset allocation ranges are accurate to 30 June 2016 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 for Accumulation and Income accounts. Please see our website at qsUPER.qld.gov.au for more information. 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 Return net of administration and investment fees and taxes.

Our investment options

Your Choice



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 Bloomberg AusBond Bank Bill Index¹ after fees and tax.

Risk

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



Fees

Management fees for 2015/2016

Administration fee % ³	Investment fee %	Investment performance fee %	Total %
0.20	0.06	0.00	0.26

Asset allocations

	Actual asset allocations (%) year ended 30 June 2015	Actual asset allocations (%) year ended 30 June 2016	Ranges (%)
Cash	100	100	100
Fixed interest	-	-	-
Property	-	-	-
Australian shares	-	-	-
International shares	-	-	-
Alternative assets	-	-	-
Infrastructure	-	-	-

Investment returns^{5,6}

	Accumulation account %	Income account %
12 months	1.85	2.18
3 years p.a.	1.97	2.31
5 years p.a.	2.44	2.86
10 years p.a.	3.31	3.86



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 between 0.5 and once in every 20 years.



Fees

Management fees for 2015/2016

Administration fee % ³	Investment fee %	Investment performance fee %	Total %
0.20	0.15	0.00	0.35

Asset allocations

	Actual asset allocations (%) year ended 30 June 2015	Actual asset allocations (%) year ended 30 June 2016	Ranges (%)
Cash	-	-	0–10
Fixed interest	100	100	90–100
Property	-	-	-
Australian shares	-	-	-
International shares	-	-	-
Alternative assets	-	-	-
Infrastructure	-	-	-

Investment returns^{5,6}

	Accumulation account %	Income account %
12 months	6.63	7.82
3 years p.a.	5.90	6.83
5 years p.a.	6.08	7.09
10 years p.a.	6.71	7.21



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 Index², hedged after fees and tax.

Risk

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



Fees

Management fees for 2015/2016

Administration fee % ³	Investment fee %	Investment performance fee %	Total %
0.20	0.10	0.00	0.30

Asset allocations

	Actual asset allocations (%) year ended 30 June 2015	Actual asset allocations (%) year ended 30 June 2016 ⁴	Ranges (%)
Cash	1	1	0–10
Fixed interest	-	-	-
Property	-	-	-
Australian shares	-	-	-
International shares	99	99	90–100
Alternative assets	-	-	-
Infrastructure	-	-	-

Investment returns^{5,6}

	Accumulation account %	Income account %
12 months	-6.64	-7.90
3 years p.a.	9.15	9.44
5 years p.a.	9.71	10.56
10 years p.a.	4.83	5.90

1 The Bloomberg AusBond Bank Bill Index is constructed as a benchmark to represent the performance of a passively managed short-term money market portfolio. It comprises a series of bank bills of equal face value, each with a maturity seven days apart. **2** An index designed to measure the equity market performance of 22 developed market country indices. This index is a market capitalisation weighted index. **3** Administration fees are capped for Accumulation and Income accounts. Please see our website at qsUPER.qld.gov.au for more information. **4** This figure has been rounded for member reporting purposes. **5** Past performance is not a reliable indicator of future performance. **6** Return net of administration and investment fees and taxes.

Your Choice (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 Index¹ after fees and tax.

Risk

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



Fees

Management fees for 2015/2016

Administration fee % ²	Investment fee %	Investment performance fee %	Total %
0.20	0.07	0.00	0.27

Asset allocations

	Actual asset allocations (%) year ended 30 June 2015	Actual asset allocations (%) year ended 30 June 2016	Ranges (%)
Cash	0	0	0–10
Fixed interest	–	–	–
Property	–	–	–
Australian shares	100	100	90–100
International shares	–	–	–
Alternative assets	–	–	–
Infrastructure	–	–	–

Investment returns^{5,6}

	Accumulation account %	Income account %
12 months	-1.99	-2.13
3 years p.a.	8.18	8.65
5 years p.a.	7.97	8.82
10 years p.a.	5.36	5.88

Defined Benefit accounts

About these accounts

Things work a little differently with QSuper's Defined Benefit accounts. The balance of the account isn't reliant on investment returns, but is calculated using a formula based on a member's years of service and salary, and may also depend on the level of contributions a member may choose to make.

Both members and employers make contributions. Employer contributions go into a pool of funds held by QTC on behalf of the Queensland Government and member contributions go into a pool held in the QSuper Fund. Money is drawn from the relevant pools to pay the benefits of all Defined Benefit accounts. The amount an employer is required to contribute is based on actuarial advice.

The QSuper Board, and the Queensland Government as the employer sponsor of the QSuper Fund, invest the member and employer contributions to make sure there are sufficient funds to pay all Defined Benefit account benefits as needed.

We've reported details of the Defined Benefit investment strategy and objective below. As the calculation of a defined benefit is formula based, it's not directly affected by these returns.

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

Investment objective

The investment objective for both the Queensland Government and QSuper defined benefit pools of funds is to ensure that there's enough money to pay all members' defined benefit entitlements. The Queensland Government guarantees the benefits.³

The asset allocations and investment ranges (included in the table below) aim to meet this objective.

2015/2016 asset allocations

	Asset allocations (%) at 30 June 2015	Asset allocations (%) at 30 June 2016 ⁴	Asset allocation ranges (%) from 30 June 2016
Cash	34.6	31.8	10–50
Fixed interest	2.1	3.1	0–25
Property	8.4	9.2	5–15
Global shares ⁷	20.2	21.3	10–30
Global private equity	7.6	7.1	0–10
Alternative assets	20.3	19.5	5–25
Infrastructure	6.8	7.9	5–15

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

¹ The S&P/ASX 200 includes up to 200 of Australia's biggest large-cap, mid-cap and small-cap companies listed on the Australian Securities Exchange, selected on the basis of their market capitalisation and liquidity. ² Administration fees are capped for Accumulation and Income accounts. Please see our website at qsuper.qld.gov.au for more information. ³ Section 29 (2) of *The Superannuation (State Public Sector) Act 1990*. ⁴ This figure has been rounded for member reporting purposes. ⁵ Past performance is not a reliable indicator of future performance. ⁶ Return net of administration and investment fees and taxes. ⁷ Includes both Australian and international shares.

The QSuper Board and Committees

Independent Trustee



Karl Morris
Chairman

The QSuper Board is committed to giving members confidence in their retirement outcomes. To encourage this, the QSuper Board sets objectives for the QSuper Fund that are in line with its governing rules and superannuation legislation. The QSuper Board has also put in place mechanisms to regularly review performance and optimise outcomes.

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
- Governor, University of Notre Dame 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 a member of the Federal Government's Financial Sector Advisory Council, Chairman and Master Member of the Stockbrokers Association of Australia, a Director of the Royal Automobile Club of Queensland (RACQ), a member of the J.P. Morgan Australian Advisory Council 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 also a member of the Remuneration and Investment Committees.

Appointment of Trustees

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

The QSuper Act sets out the requirements for the appointment of Trustees and they serve on the QSuper Board for a term of up to three years. After this initial period, they may be nominated for reappointment up to a maximum term of nine years. QSuper Trustees are also appointed Directors of QSuper Limited and QInvest Limited.

Member Representative Trustees



Mick Barnes
Trustee



Beth Mohle
Trustee



Jeff Backen
Trustee



Ruth McFarlane
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.

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.

Secretary, Queensland Nurses' Union (QNU)

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

Ms Mohle is Senior Vice President of the Queensland Council of Unions. Before starting work at the QNU, Ms Mohle worked as a registered nurse at the Royal Brisbane Hospital.

Ms Mohle was previously a board member of HESTA, including a term as both Chair and Deputy Chair. In 2008, the Australian Institute of Superannuation Trustees 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.

Assistant Secretary, Queensland Teachers' Union (QTU)

- 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 both the Audit & Risk and Remuneration Committees.

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 and President of the Rockhampton Branch of the Queensland Council of Unions. She is also the Systems Implementation Training & Support Officer (Queensland Health) at Rockhampton Hospital.

In 2006, Ms McFarlane represented the Queensland Council of Unions on its delegation to China and in 2008 was voted the Australian Services Union 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.

Employer Representative Trustees



Walter Ivessa
Trustee



Bede King
Trustee



Terry Mackenroth
Trustee



Steve Christie
Trustee

Former Assistant Under Treasurer, Queensland Treasury

- Bachelor of Economics
- RG146 Superannuation

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

Mr Ivessa was appointed to the QSuper and QSuper Limited Boards in June 2009, and to the QInvest Limited Board in December 2013. He is currently Chairman of the Audit & Risk Committee, as well as a member of the Remuneration and Investment Committees.

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 and FirstMac Limited. 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.

Former Queensland Deputy Premier and Treasurer

Mr Mackenroth had a notable parliamentary career that spanned nearly 28 years and included him holding a number of ministerial roles including Deputy Premier and Treasurer. He was responsible for setting up the Office of Urban Management, and overseeing the South East Queensland Regional Plan and the South East Queensland Infrastructure Plan. Mr Mackenroth retired from politics in 2005 and was subsequently appointed as a director of Devine Ltd until his recent resignation in late 2015.

Mr Mackenroth has also previously served as Chairman of Lenard's Pty Ltd, Gold Coast Events Company and the Cyclone Larry Appeal Committee. He is a current Director at the Queensland Rugby League and has previously served on the Board of the Australian Rugby League.

Mr Mackenroth was appointed to the QSuper, QSuper Limited and QInvest Limited Boards in April 2016. He is currently a member of the Remuneration, and Product, Services & Advice Committees.

Financial Services Professional

- Certified financial planner
- PhD in Applied Finance
- Master of Applied Finance
- Master of Laws
- Bachelor of Laws (Honours)
- Bachelor of Commerce
- Member, Australian Institute of Company Directors

Dr Christie is currently a Director and Principal of ACD Financial, where he is a financial and investment adviser. He is an experienced financial services professional who has worked in the investment and finance industry since 1995 and previous to that as a banking, finance and taxation lawyer.

Dr Christie has held a number of senior positions including Head of Private Wealth Management at Ord Minnett, as well as Head of Asset Allocation and Senior Portfolio Manager at Goldman Sachs JBWere Private. He was previously a Director and Member of the Investment Committee of the Australian Catholic Superannuation & Retirement Fund, and sits on the Investment Committees of the Catholic Archdiocese of Sydney and Providence Wealth Advisory Group.

Dr Christie was appointed to the QSuper, QSuper Limited and QInvest Limited Boards in December 2014. He is currently Chairman of the Investment Committee and a member of the Remuneration Committee.

Board responsibilities

The QSuper Board meets regularly to discuss a range of topics such as the strategic direction of the QSuper Fund, investment strategy, products on offer and service delivery.

The QSuper Board is committed to meeting its legislative and regulatory obligations, and making sure it fulfils its legal and ethical responsibilities as Trustees of the QSuper Fund. The QSuper Board has a clearly defined and transparent framework for dividing managerial and operational responsibilities for the QSuper Fund, in line with industry standards and regulatory responsibilities.

Farewell to Ms Melissa Babbage

Ms Melissa Babbage served on the QSuper Board during the 2015/2016 financial year, concluding her two-and-a-half year tenure in December 2015. In addition to her role as a QSuper Trustee, Ms Babbage was also Chairman of the Investment Committee, a role which capitalised on her previous long-held career in investment banking. The QSuper Board and Management would like to sincerely thank Ms Babbage for her accomplished service to the QSuper Fund and her contribution as a Trustee.

Board remuneration and indemnification

The Queensland Treasurer, in consultation with the QSuper Board, approved the QSuper Board remuneration rates for the 2015/2016 financial year. This remuneration was made up of an all-inclusive fee for all QSuper Board-related activities, including committee memberships and QSuper Limited and QInvest Limited Directorships. The annual fee is independent of 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 aren't remunerated for performing their Trustee duties.

The QSuper Act includes indemnification of the QSuper Board, which is also covered by indemnity insurance taken out by the QSuper Board.

Board meeting attendance 2015/2016 financial year

Karl Morris	10	10
Walter Ivessa	9	10
Bede King	9	10
Steve Christie	9	10
Terry Mackenroth	3	3
Mick Barnes ¹	6	10
Beth Mohle	10	10
Jeff Backen	8	10
Ruth McFarlane	10	10
Melissa Babbage	5	5

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

¹ Due to a motor vehicle accident, Mick Barnes was hospitalised and unable to attend two Board meetings in the 2015/2016 financial year.



QSuper Board Committees

The QSuper Board has set up a number of committees to help make sure it meets its corporate governance responsibilities. These committees make recommendations to the QSuper Board, which is ultimately responsible for decision making. A charter guides each committee, its structure, responsibilities and the way it works. While committees have specific membership, all Trustees are able to attend committee meetings. The QSuper Board has also appointed a number of specialist committee members to its Investment, Audit & Risk and Product, Services & Advice Committees.

The QSuper Board used the following committees in 2015/2016:

Audit & Risk Committee at 30 June 2016

Members

Mr Walter Ivessa (Chairman)
Mr Jeff Backen
Mr Mick Barnes
Mr Jonathan Dooley
Ms Leanne Muller

The Audit & Risk Committee helps the QSuper Board meet its corporate governance and administrative responsibilities in relation to:

- 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.

Ms Leanne Muller and Mr Jonathan Dooley are external committee members, selected for their specialist knowledge of superannuation, finance and risk management matters.

Remuneration Committee at 30 June 2016

All QSuper Board members are members of the Remuneration Committee, which is responsible for ensuring that the QSuper Board and its related entities have an open and appropriate remuneration framework that fairly and responsibly rewards individuals for their overall performance.

Investment Committee at 30 June 2016

Members

Dr Steve Christie (Chairman)
Ms Lorraine Berends
Mr Chris Condon
Prof Michael E. Drew
Mr Walter Ivessa
Ms Beth Mohle
Mr Karl Morris

The Investment Committee helps the QSuper Board carry out its investment management role for the QSuper Fund and is responsible for:

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

Ms Lorraine Berends, Mr Chris Condon and Professor Michael E. Drew are external committee members chosen for their specialist knowledge of superannuation and investment matters.

Product, Services & Advice Committee at 30 June 2016

Members

Mr Bede King (Chairman)
Mr Mick Barnes
Mr Terry Mackenroth
Ms Ruth McFarlane
Ms Cathy McGuane
Ms Wendy Tancred

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

- the QSuper Board's strategic focus on marketing initiatives across the QSuper Group including the development and implementation of a comprehensive QSuper 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 QSuper 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 and Ms Wendy Tancred are external committee members selected for their specialist knowledge of superannuation and marketing matters.

Specialist committee members at 30 June 2016

**Lorraine Berends***Investment Committee Member***Chris Condon***Investment Committee Member***Professor Michael E. Drew***Investment Committee Member***Leanne Muller***Audit & Risk
Committee Member***Financial Services
Professional**

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

Ms Berends has worked for more than 30 years in the pension and investment industries, and possesses extensive experience in both the investment management and superannuation fields. Ms Berends serves on the BT Financial Group Superannuation Board and the Board of the MDC Foundation.

She served on the Board of the Association of Superannuation Funds of Australia (ASFA) for 12 years and the Board of the Investment Management Consultants Association (IMCA Australia) for 13 years, and has been awarded Life Membership of both associations.

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

**Principal, Chris Condon
Financial Services**

- Bachelor of Commerce
- Fellow, Institute of Actuaries of Australia

Mr Condon established Chris Condon Financial Services Pty Ltd in March 2010 to help institutional investors develop, implement and manage their investment programs. Prior to this, Mr Condon was Chief Investment Officer of MLC and in this capacity he led a substantial investment team charged with managing MLC's \$60 billion in funds under management. He has also been the Director of Consulting in Australia for the Frank Russell Company, as well as a founding member of Tower Perrin's asset consulting business.

Mr Condon is a Fellow of the Institute of Actuaries of Australia and holds a First Class Honours degree in Finance from the University of NSW.

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

**Director at Drew,
Walk & Co. Consulting
Financial Economists**

- PhD in Economics
- Master of Economic Studies
- Bachelor of Economics
- Graduate Certificate in Higher Education
- Fellow, Australian Institute of Company Directors
- Fellow, Australian Institute of Management
- Fellow, Governance Institute of Australia
- Fellow, Institute of Chartered Secretaries and Administrators
- Senior Fellow, Financial Services Institute of Australasia
- Accredited Investment Fiduciary Analyst®

Professor Michael E. Drew is Professor of Finance at Griffith University, and co-founder and Director of Drew, Walk & Co., a boutique practice of consulting financial economists. Professor Drew has held Senior Executive and Committee appointments with the Queensland Investment Corporation, Wilson HTM, Ord Minnett and JB Were & Son.

Professor Drew has written and lectured extensively on Australia's superannuation system, defined-contribution (DC) pension plans and retirement security. He is a trusted advisor to fiduciary clients in matters relating to DC plan design, portfolio construction and investment governance.

Professor Drew was appointed a member of the Investment Committee in April 2016.

**Financial Services
Professional and
non-Executive Director**

- Bachelor of Commerce
- Member Institute of Chartered Accountants of Australia
- Graduate, Australian Institute of Company Directors

Ms Leanne Muller holds Board and Committee positions with the following organisations:

- Guide Dogs Queensland, Chairman of Audit, Risk & Compliance Committee
- QInsure Limited, Chairman of Audit Committee and Member of Risk & Compliance Committee
- Data #3 Limited, Member of Audit & Risk Committee
- Local Government Infrastructure Services Pty Limited
- Local Buy Pty Ltd ATF The Local Buy Trading Trust.

Ms Muller is a Chartered Accountant and until December 2014 was employed as Group Chief Financial Officer for RACQ. Before joining RACQ in January 2008, she was a member of the senior executive, holding CFO (or equivalent) roles at Energex Limited and Uniting Care Queensland. Ms Muller has also worked for PricewaterhouseCoopers and with the Australian Securities Commission.

Ms Muller was appointed a member of the Audit & Risk Committee in May 2015.

Specialist committee members at 30 June 2016 continued



Jonathan Dooley
*Audit & Risk
Committee Member*



Cathy McGuane
*Product, Services & Advice
Committee Member*



Wendy Tancred
*Product, Services & Advice
Committee Member*

Director at Vincents

- Chartered Accountant Australia & New Zealand
- Bachelor Business (Accountancy)
- Fellow, Australian Institute of Company Directors

Mr Dooley co-founded Vincents in 1991 having previously worked at KPMG. Mr Dooley has over 25 years' experience in the field of forensic accounting and is considered a pioneer in the field. Mr Dooley is currently a Director and Member of the Executive of Vincents, having previously acted as the firm's joint Managing Director from 1991 to 2006 and Managing Director from 2006 to 2011.

Mr Dooley is also Chairman of the Ord Minnett Management Limited Compliance Committee, Approved Examiner for QCAT, Member of the Audit, Risk and Finance Committee of Queensland Cricket, and Member of the State Regional Council and National Audit and Risk committee of Redkite Inc.

Mr Dooley was appointed a member of the Audit & Risk Committee in April 2016.

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 of Member Services for TUH with primary responsibility for leading and managing the marketing, business development, customer contact and member maintenance functions of the organisation. Before joining TUH, Ms McGuane was the Client Relationship Manager for Queensland for HESTA Superannuation Fund.

Ms McGuane is also the author of the 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.

Financial Services CEO, Davidson Consulting

- Certified Practising Accountant
- Certified Financial Planner
- Bachelor of Commerce
- Postgraduate Certificate of Management (Marketing)
- Certificate of Superannuation Management
- Fellow, Association of Superannuation Funds of Australia
- Fellow, Financial Services Institute of Australia
- Fellow, Australian Institute of Company Directors

Ms Tancred has had over three decades of experience in the financial services industry and has held a variety of roles with AMP and Westpac, including State Head of Westpac's Private Bank in Queensland. Ms Tancred was Managing Director of MAP Funds Management Ltd from 2005 to 2011, before returning to Westpac as Head of their Financial Planning business in Queensland until 2014. She is currently the CEO of Davidson Consulting and HR Solutions, focusing on providing services to enhance workplace performance.

Ms Tancred is a member of the Advisory Boards of the Australian Dental Association Foundation and the Hawkesbury Institute of the Environment (University of Western Sydney). She is a member of the ASFA Executive Committee for Queensland, and has lectured on superannuation and insurance at the University of Queensland.

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

Our people

Here at QSuper we work hard to be the best possible super fund for our members, and a big part of that is achieved by attracting and retaining the highest quality people. A workforce that embraces diversity and a flexible approach to work/life balance is paramount to drawing out the peak performance from our people.

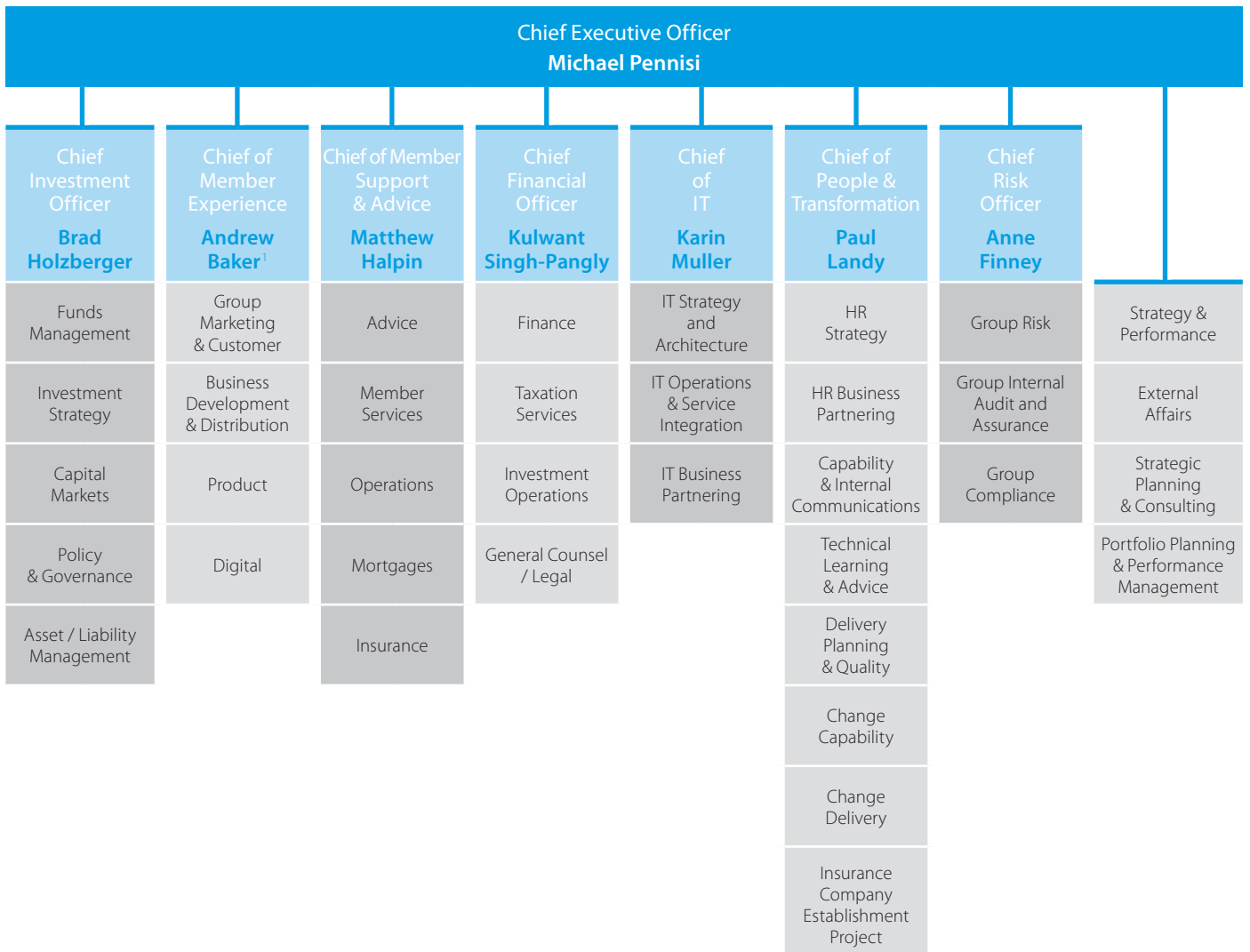
As an organisation QSuper makes the most of individual skills and capabilities, and through the power of teamwork, we deliver ideas and insights, problem solving and decision making that's always focused on achieving the best possible outcomes for our members.

Headed by Chief Executive Officer Michael Pennisi, the eight members of the QSuper Executive Committee draw on their extensive public and private sector experience to stay one step ahead of industry trends. Together they combine the necessary innovation, experience and strategic thinking to lead QSuper into the future.



QSuper organisational chart

current at 30 June 2016



¹ Commencing 11 July 2016.

Corporate governance

The QSuper Board works hard to achieve the best possible retirement outcomes for our members, in line with superannuation rules and legislation. To make sure we achieve this, the QSuper Board sets objectives to guide how the QSuper Fund is operated and managed, and regularly reviews performance.

Risk management

The QSuper Board takes its risk management responsibilities seriously. That's why it's committed to regularly reviewing and improving the QSuper Fund's risk management framework.

As part of this, the QSuper Board holds an annual risk workshop so it can consider the potential impact of current and new risks on our strategic objectives. The QSuper Board continually monitors QSuper's risk profile, and assesses new risks or changes to risks as required.

Internal and external audit

Our internal audit work is an important part of our corporate governance, and it supports effective and efficient management, and helps to better manage risk.

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

The Auditor-General relies on various parts of the audit work performed by the internal auditor, as well as reviewing the QSuper Board's internal audit and compliance programs. He then makes recommendations to Management, the Audit & Risk Committee and the QSuper Board to consider and action when required.

Compliance

The QSuper Group's Compliance Framework has been developed to make sure the QSuper Group understands its compliance obligations, and has adequate controls in place to meet its obligations and best manage issues.

Governance

QSuper's governance framework outlines the delegations and responsibilities among the QSuper Group, Management and staff and other stakeholders. It also spells out the rules and procedures when making decisions on a range of matters.



Managing our members' super

QSuper's investment arrangements

QSuper Board's approach to investing

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

Who invests your money?

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

Manager arrangements

Asset sector	Manager
Cash	QIC Ltd QSuper Asset Management Pty Ltd QSuper Limited State Street Global Advisors, Australia Ltd
Global fixed interest	Goldman Sachs Asset Management Australia Pty Ltd QIC Ltd QSuper Asset Management Pty Ltd QSuper Limited Wellington Management Australia Pty Ltd
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 CIM Investment Advisors, LLC Invesco Advisors Inc Jamestown Premier GP, LP QIC Ltd QSuper Asset Management Pty Ltd QSuper Limited
Infrastructure	Alinda Capital Partners Global Infrastructure Management LLC QIC Ltd QSuper Asset Management Pty Ltd QSuper Limited
Private equity	Northwater Capital Management Inc Partners Group QIC Ltd QSuper Asset Management Pty Ltd QSuper Limited

¹ Please refer to the *Investment Choice Guide* for more information.

Alternatives

AQR Capital Management LLC
Bridgewater Associates, LP
First Quadrant, LP
Global Endowment Management, LP
Graham Capital Management, LP
Hancock Natural Resource Group Australasia Pty Limited
Makena Capital Management LLC
Principal Global Investors (Australia) Limited
QIC Ltd
QSuper Asset Management Pty Ltd
QSuper Limited

Other

AMP Capital Investors Limited
State Street Bank and Trust Company

Allocation of investment returns

QSuper's Accumulation and Income accounts are all unitised (with the exception of the Self Invest investment option).¹ Put simply, this means they're expressed as a number of units – so the value of each member's superannuation benefit is determined by the number of units they hold and the daily price of each investment option.

Each investment option (with the exception of Self Invest) has a unit price that's set daily, and has already had fees and taxes taken out. These unit prices go up and down each day to reflect investment returns, and positive and negative changes in market value.

The unit prices we report show the value of the QSuper Fund's assets at the close of business two business days earlier. This gives us time to collate data from international markets, and reflect it in our QSuper Fund valuations.

The QSuper Board can suspend unit prices if it needs further validation of a unit price. If the QSuper Board needs to do this, we tell our members about it on the QSuper website.

Single assets valued above 5% of total funds under management

At 30 June 2016, the QSuper Fund had an investment in the QS High Duration Bonds Trust which represented 6.52% of the total assets of the QSuper Fund and an investment in the QIC Property Fund which represented 5.33% of the total assets of the QSuper Fund. The investments within these entities are diversified, with no single underlying asset valued at more than 5% of the QSuper Fund's total assets.

Monitoring QSuper's investment option asset and currency allocation ranges

We have prescribed asset allocations and currency ranges for our investment options (with the exception of Self Invest). We therefore monitor these options daily to ensure 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. Any breaches are raised with the investment manager for speedy resolution and reported in accordance with existing Board policies and QSuper's Incident Reporting Process.

Our investment policies

Derivatives policy

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

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

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

Derivatives charge ratio

In the world of superannuation, most funds have what's called a derivatives charge ratio (DCR). The DCR is the percentage of total market value of the assets of the QSuper Fund (other than cash) that the QSuper Board has charged as security for derivative instruments made by the QSuper Board.

The derivatives charge ratio didn't exceed 5% of QSuper's assets at any time during the 2015/2016 financial year.

In-house asset policy

The *Superannuation Industry (Supervision) Act 1993* details the 'in-house' asset rules that are designed to make sure investments set aside to provide for members' retirement incomes aren't dependent on the success of the business activities of an employer, or other related party.

These in-house assets can't exceed 5% of total assets. During the 2015/2016 financial year, QSuper didn't have more than 5% 'in-house' assets at any time.

Our reserves

General Reserve

The QSuper Board has a General Reserve to make sure there is enough funds to meet our current and future liabilities for administration costs, strategic initiatives and operational risk.

The General Reserve operates under a policy that the QSuper Board approves. The QSuper Board also sets and annually reviews the investment strategy for the Reserve. When setting the strategy, the QSuper Board considers the purpose of the Reserve, the nature of underlying liabilities and investment risk.

At 30 June 2016, 40% of the General Reserve was invested in the Balanced investment option, and 60% was invested in the Moderate investment option.

General Reserve	\$m
30 June 2016	620
30 June 2015	624
30 June 2014	565
30 June 2013	308
30 June 2012	166

Insurance Reserve

The Insurance Reserve holds QSuper's Accumulation account insurance premiums and allows the QSuper Fund to meet its self-insurance obligations up to and including 30 June 2016. QSuper will stop self-insuring its members from 1 July 2016, however there remains a liability for projected future claims that existed under the self-insurance arrangement.

An actuarial review of the self-insurance arrangements is completed annually to make sure the reserve can meet expected liabilities.

The Insurance Reserve operates under a policy that the QSuper Board approves, and QSuper management monitors and reviews the investment reserve monthly.

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

Insurance Reserve	\$m
30 June 2016	500
30 June 2015	366
30 June 2014	247
30 June 2013	209
30 June 2012	193

Unallocated Contributions Reserve

QSuper has an Unallocated Contributions Reserve 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.

Unallocated Contributions Reserve	\$m
30 June 2016	16
30 June 2015	13
30 June 2014	9
30 June 2013	5
30 June 2012	19



Operational Risk Financial Requirement Reserve

The purpose of the Operational Risk Financial Requirement (ORFR) Reserve is to make sure the Fund has enough money to cover the member component of operational risks if these ever arose.

The ORFR Reserve operates under a policy the QSuper Board approves. The QSuper Board also sets and annually reviews the investment strategy for the ORFR Reserve. The ORFR Reserve is currently invested in the Balanced investment option.

Operational Risk Financial Requirement Reserve	\$m
30 June 2016	163
30 June 2015	150

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 the 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 2015/2016 financial year was applied to the VPP (closed) investment option member accounts before the capital guarantee was debited. The VPP crediting rate for the 2015/2016 financial year was 3.66%.

Important information

More information

You can download this annual report from our website. Just head to qsuper.qld.gov.au/annualreport or call us on **1300 360 750** and we'll send you a copy.

QSuper's privacy policy

QSuper's privacy policy is available on our website at qsuper.qld.gov.au or call us and we'll send you a copy.

Enquiries and complaints

We have 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).

Or 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 isn't resolved within 90 days, or if you're not satisfied with our response, you can take the matter to the Superannuation Complaints Tribunal (SCT) – an independent body that was set up to resolve disputes between superannuation funds and their members and/or potential beneficiaries.

Keep in mind that the SCT isn't able to look after all superannuation-related complaints. If you want to find out if they can deal with your complaint, you can contact them on **1300 884 114** or visit their website at sct.gov.au

Major service providers

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

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

QInvest Limited – ABN 35 063 511 580, AFSL 238274
Central Plaza Two
66 Eagle Street
Brisbane QLD 4000

One QSuper Pty Ltd – ABN 90 601 938 774
Central Plaza Three
70 Eagle Street
Brisbane QLD 4000

QSuper Asset Management Pty Ltd – ABN 67 608 694 471
Central Plaza Three
70 Eagle Street
Brisbane QLD 4000

Investment Services

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

- QSuper Limited – ABN 50 125 248 286, AFSL 334546
- QIC Limited – ABN 95 942 373 762
- State Street Global Advisors Australia Limited – ABN 42 003 914 225
- DFA Australia Limited – ABN 46 065 937 671
- State Street Bank and Trust Company – ABN 70 062 819 630
- Invesco Advisers Inc.
- Vanguard Investments Australia Ltd – ABN 72 072 881 086
- Principal Global Investors (Australia) Limited – ABN 45 102 488 068
- Hancock Natural Resource Group Australasia Pty Limited – ABN 82 087 766 587
- Hancock Natural Resources Group Inc
- AEW Europe LLP and AEW Europe SA
- AMP Capital Investors Limited – ABN 59 001 777 591
- GIM Advisory Services LLC
- Graham Capital Management, L.P
- Wellington Management Australia Pty Ltd – ABN 19 167 091 090
- Citigroup Global Markets Australia Pty Ltd – ABN 64 003 114 832
- QSuper Asset Management Pty Ltd – ABN 67 608 694 471

Administrative Services

- Westpac Banking Corporation – ABN 33 007 457 141
- SuperChoice Services Pty Limited – ABN 78 109 509 739
- Interactive Pty Limited – ABN 17 088 952 023
- 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 our assets, thereby separating the fund managers from the physical securities.

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

QSuper Fund changes for 2015/2016

During the 2015/2016 financial year we made a number of changes within the QSuper Fund.

Members were notified about the changes, and you can find more information about each of these changes at qsuper.qld.gov.au/disclosure

Lower admin fees

From 1 July 2015, we reduced our admin fee for Accumulation and Income accounts from 0.22% p.a. to 0.20% p.a. and we also reduced our admin fee cap.

Terminal medical condition

On 1 July 2015, the legislative timeframe for accessing super when members have a terminal medical condition changed from 12 months to 24 months for eligible Accumulation account holders.

Early release conditions for financial hardship and compassionate grounds – Defined Benefit accounts

Effective 10 July 2015, Defined Benefit members are now able to apply to withdraw funds directly from their Defined Benefit account.

OnePath insurance changes for Queensland Ambulance Service (QAS) members

OnePath increased its death insurance premiums and salary continuance insurance premiums for QAS employees who transferred to the Accumulation account in 2001. These changes took effect on 4 November 2015.

Diversified Bonds currency exposure

Effective 1 December 2015, our Diversified Bonds investment option now has exposure to foreign currency.

Defined Benefit salary reduction

From 1 January 2016, Defined Benefit members entitled to a salary reduction benefit will now have it paid when they make a partial withdrawal (for example a partial withdrawal to open a Transition to Retirement Income Account) from their Defined Benefit account.

Income Account Transfer Bonus

We introduced our Income Account Transfer Bonus effective 6 June 2016. Members who open a QSuper Income Account or Transition to Retirement Income Account with money from their Accumulation account could be eligible for a boost to their super balance.





Financial Statements

for the year ended
30 June 2016

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Statement of Net Assets

as at 30 June 2016

	Notes	30/06/16 \$m	30/06/15 \$m
Assets			
Investments			
Cash and short-term deposits	2	3,641	11,940
Equities	2	17,415	17,410
Listed trusts	2	1,118	1,036
Derivative assets	2	565	333
Margin accounts	2	844	366
Other interest bearing securities	2	11,955	2,972
Unlisted unit trusts	2	28,961	23,845
Investments in service providers		102	97
		64,601	57,999
Other assets			
Cash		130	53
Contributions receivable		84	85
Receivables		1,311	1,577
		1,525	1,715
TOTAL ASSETS		66,126	59,714
Liabilities			
Benefits payable		11	10
Administration and investment management fees payable		15	30
Sundry payables		110	36
Derivative liabilities	2	102	289
Current tax liabilities		214	181
Deferred tax liabilities		549	432
Provision for superannuation contributions surcharge		49	53
TOTAL LIABILITIES		1,050	1,031
NET ASSETS AVAILABLE TO PAY BENEFITS		65,076	58,683
Represented by:			
Reserves	4	1,299	1,153
Accumulated member funds	5	63,777	57,530
TOTAL LIABILITY FOR ACCRUED BENEFITS		65,076	58,683

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

Statement of Changes in Net Assets

for the year ended 30 June 2016

	Notes	30/06/16 \$m	30/06/15 \$m
Investment revenue			
Dividends and distributions		3,267	3,758
Change in net market value of investments	6	1,075	1,713
Interest revenue		105	70
Other income		176	23
		4,623	5,564
Contribution revenue			
Employer contributions	7	4,575	4,464
Member contributions		1,125	1,167
Transfers from other funds		1,139	1,103
		6,839	6,734
Total revenue		11,462	12,298
Expenses			
Benefits paid		3,819	3,633
Administration fee		179	174
Direct investment expenses		79	123
Insurance premiums		104	76
Financial planning fee		18	19
Other expenses		10	9
Total expenses		4,209	4,034
Change in net assets before income tax		7,253	8,264
Less: Income tax expense	3	860	890
Change in net assets after income tax		6,393	7,374
NET ASSETS AVAILABLE TO PAY BENEFITS at the beginning of the financial year		58,683	51,309
NET ASSETS AVAILABLE TO PAY BENEFITS at the end of the financial year		65,076	58,683

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 2016

Note 1 General information

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

Operation of QSuper

The State Public Sector Superannuation Scheme (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 Income accounts.

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

During the financial year, superannuation fund administration was undertaken by the State Public Sector Superannuation Fund using services from QSuper Limited, QInvest Limited, One QSuper Pty Ltd and QSuper Asset Management Pty Ltd – which are all controlled entities of the Fund. These are all for-profit entities and have not been consolidated in the financial statements.

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

The financial statements were authorised for issue by the Board of Trustees on 29 September 2016.

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. 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 have been prepared on an accrual and ongoing concern basis. Valuation of investments are measured in accordance with AAS 25 at net market value.

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

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 2016. These are outlined below:

AASB 1056 Superannuation Entities (effective 1 July 2016)

This standard will replace AAS 25 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. The self-insurance liability that will be recognised and classified as a liability on the Statement of Financial Position as at 1 July 2016 is \$321m. An additional margin of \$96m is held in reserves as a solvency margin.
- Calculating defined benefit liabilities based on accrued rather than vested benefits.
- Net assets of the Fund to reflect the Fund's reserves.

Notes to the financial statements

for year ended 30 June 2016

Note 1 General information (continued)

- The Statement of Net Assets to disclose the surplus or deficit of funds.
- Recognition of member benefits as a liability on the Statement of Net Assets.

The adoption of AASB 1056 will require the assets and liabilities of the Fund to be recorded at 'fair value' as compared to 'net market value' under AAS 25. The Fund does not expect this to have a material impact on the reported results.

Rounding

Amounts in this financial report have been rounded to the nearest million dollars, unless otherwise stated.

Significant accounting judgements, estimated 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 the notes to the financial statements.

Auditor's remuneration

	30/06/16 \$'000	30/06/15 \$'000
Auditor-General of Queensland		
Audit of financial statements	350	355
Audit and review services	350	355

Commitments, contingent assets and liabilities

QSuper has unfunded commitments with Investment Managers to the value of \$2,383m as at 30 June 2016.

QSuper has no other material commitments, contingent assets or liabilities as at 30 June 2016.

Significant events

On 29 July 2015, QSuper Limited (QSL), a wholly owned entity of QSuper, acquired a 100% interest in a newly incorporated company QInsure Limited (QInsure). The Australian Prudential Regulation Authority (APRA) gave approval on 17 May 2016 for registration of QInsure under the *Life Insurance Act 1995*, for the purpose of providing group life cover to QSuper members, commencing 1 July 2016.

During the year QSuper Asset Management Pty Ltd (QAM), a wholly owned subsidiary of QSL signed an Investment Management Agreement (IMA) with QSuper to provide investment services. Investment services which were previously provided by QSL to QSuper will decrease as existing IMAs with external managers are transitioned to QAM.

On 16 June 2016, the Queensland Government introduced legislation into Parliament that proposes to amend the *Superannuation (State Public Sector) Act 1990* to allow Queensland's public servants to choose their superannuation fund.

The amendment will also remove barriers that restrict membership of QSuper to Queensland Government employees and their spouses. If the legislation is passed, QSuper will have the opportunity to apply for a public offer licence from APRA.

Post balance date events

On 1 July 2016, the QSuper Fund subscribed to an additional 190,900,000 ordinary shares in QSL for \$190.9m which was used by QSL to subscribe to ordinary shares in QInsure. This provided QInsure with sufficient prudential capital to meet APRA regulatory and licensing requirements. QInsure Limited commenced operations on 1 July 2016.

The Fund ceased self-insurance of its members from 1 July 2016, however there remains a liability of \$321m for projected future claims that existed under the self-insurance arrangement. An additional amount of \$96m is held in reserves as a solvency margin.

Notes to the financial statements

for year ended 30 June 2016

Note 1 General information (continued)

No other matters or circumstances have arisen since 30 June 2016 that have significantly affected or may significantly affect the operations in future financial years or the state of affairs of QSuper in subsequent financial years.

Comparatives

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Note 2 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.

Investments of QSuper, including derivatives, are managed by selected investment managers, QSuper Limited and QSuper Asset Management Pty Ltd's investment team on behalf of the Board. The Board determines the overall investment objectives and strategy of QSuper.

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

Recognition and measurement

Valuation of investments

QSuper investments 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.

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

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 audited financial statements or the redemption prices as reasonably determined by the funds' managers and this is considered appropriate for valuation.
- Derivative financial instruments including forward exchange contracts and equity/index futures are recorded at market rates at close of business on the balance date.

Notes to the financial statements

for year ended 30 June 2016

Note 2 Investments and derivative liabilities (continued)

	30/06/16 \$m	30/06/15 \$m
Investment assets		
Cash and short-term deposits		
Cash and short-term deposits	3,641	11,940
	3,641	11,940
Equities		
Listed equity securities	17,280	17,321
Unlisted equity securities	135	89
	17,415	17,410
Listed trusts		
Listed property unit trusts	911	803
Listed unit trusts	207	233
	1,118	1,036
Derivative assets		
Futures	74	40
Warrants and options	7	21
Swaps	161	164
Forward foreign exchange contracts	323	108
	565	333
Margin accounts		
Margin accounts ¹	844	366
	844	366
Other interest bearing securities		
Fixed interest bonds	4,066	1,081
Discount securities	7,889	1,891
	11,955	2,972
Unlisted unit trusts		
Infrastructure	5,737	4,677
Equity and futures	3,343	2,741
Private equity and alternatives	3,290	3,330
Property	5,043	4,478
Cash and fixed interest	11,548	8,619
	28,961	23,845
Derivative liabilities		
Swaps	–	9
Futures	41	14
Forward foreign exchange contracts	61	266
	102	289

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 2016

Note 2 Investments and derivative liabilities (continued)

Fair value hierarchy

In accordance with AASB 13 Fair Value Measurement, QSuper classifies fair value measurements using a fair value (net market 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 table below sets out financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at 30 June 2016.

30 June 2016	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
Listed equity securities	17,271	6	3	17,280
Unlisted equity securities	–	1	134	135
Listed unit trusts	–	207	–	207
Listed property trusts	911	–	–	911
Futures	33	–	–	33
Swaps	–	161	–	161
Forward foreign exchange contracts	–	262	–	262
Fixed interest bonds	–	4,066	–	4,066
Warrants and options	7	–	–	7
Discount securities	–	7,889	–	7,889
Unlisted unit trusts – infrastructure	–	140	5,597	5,737
Unlisted unit trusts – equity and futures	–	3,006	337	3,343
Unlisted unit trusts – private equity and alternatives	–	–	3,290	3,290
Unlisted unit trusts – property	–	129	4,914	5,043
Unlisted unit trusts – cash and fixed interest	–	11,548	–	11,548
Total	18,222	27,415	14,275	59,912

Investments not included in the above table are cash, short-term deposits and margin accounts (\$4,485m). These investments and the investments illustrated in the fair value hierarchy table equates to the total investments as at 30 June 2016 (\$64,397m) reduced by derivative liabilities and excluding the investments in service providers.

Notes to the financial statements

for year ended 30 June 2016

Note 2 Investments and derivative liabilities (continued)

30 June 2015	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
Listed equity securities	17,318	2	1	17,321
Unlisted equity securities	–	–	89	89
Listed unit trusts	–	233	–	233
Listed property trusts	803	–	–	803
Futures	25	–	–	25
Swaps	–	155	–	155
Forward foreign exchange contracts	–	(157)	–	(157)
Fixed interest bonds	–	1,081	–	1,081
Warrants and options	21	–	–	21
Discount securities	–	1,891	–	1,891
Unlisted unit trusts – infrastructure	–	–	4,677	4,677
Unlisted unit trusts – equity and futures	–	2,152	589	2,741
Unlisted unit trusts – private equity and alternatives	–	–	3,330	3,330
Unlisted unit trusts – property	–	–	4,478	4,478
Unlisted unit trusts – cash and fixed interest	–	8,619	–	8,619
Total	18,167	13,976	13,164	45,307

Investments not included in the above table are cash, short term deposits and margin accounts (\$12,306m). These investments and the investments illustrated in the fair value hierarchy table equates to the total investments as at 30 June 2015 (\$57,613m) reduced by derivative liabilities and excluding the investments in service providers.

Key estimates

Assessing the significance of a particular input to the fair value measurement requires judgement. The lowest level input that is significant to the fair value measurement determines the level in the fair value hierarchy.

Significant estimates and judgement is involved in determining the fair value of Level 3 unlisted investments. These valuations are derived from independent valuations, and are subject to discount rates, cash flows and terminal values.

Notes to the financial statements

for year ended 30 June 2016

Note 2 Investments and derivative liabilities (continued)

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	1	(7)	5	(5)	9	–	3
Unlisted equity securities	89	45	31	(31)	–	–	134
Unlisted unit trusts – infrastructure	4,677	438	529	(47)	–	–	5,597
Unlisted unit trusts – equity and futures	589	4	22	(278)	–	–	337
Unlisted unit trusts – private equity and alternatives	3,330	(291)	252	(1)	–	–	3,290
Unlisted unit trusts – property	4,478	90	740	(394)	–	–	4,914
Total \$m	13,164	279	1,579	(756)	9	–	14,275

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	14,138	Investment manager – Estimated valuation	Valuation of underlying investments of the unit trusts	An increase in the value of the underlying investments of the unit trusts will result in higher fair values. Reductions would result in lower fair values.
Unlisted equity	134	Last traded price less impairment	Last traded 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.

	Unlisted equity securities \$m	Listed equity securities \$m	Unlisted unit trusts \$m	Total \$m
Total gains/(losses) recognised in the Statement of Changes in Net Assets for the year	3	(3)	72	72
Total unrealised gains/(losses) recognised in the Statement of Changes in Net Assets for assets held at the end of the reporting year	42	(4)	169	207
Total	45	(7)	241	279

Notes to the financial statements

for year ended 30 June 2016

Note 3 Income tax

Major components of income tax

	30/06/16 \$m	30/06/15 \$m
<i>Current income tax</i>		
Current income tax expense	730	673
Adjustments in respect of current income tax of previous years	12	27
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences in deferred tax asset	118	130
Relating to origination and reversal of temporary differences in deferred tax liability	–	60
Income tax expense reported in Statement of Changes in Net Assets	860	890

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:

	30/06/16 \$m	30/06/15 \$m
Increase in net assets before income tax	7,253	8,264
Prima facie income tax expense at the tax rate of 15%	1,088	1,240
Tax effect of non-deductible expenses and non-assessable income in calculating the taxable amount:		
Benefits paid	573	545
Increase/(decrease) in income tax expense due to:		
Differences between tax and accounting net investment income	(63)	(197)
Non-assessable member contributions and transfers in	(332)	(334)
Imputation and foreign tax credits	(150)	(187)
Group life proceeds, notional insurance and anti-detriment	(65)	(57)
Allocated exempt pension income	(191)	(101)
Other	–	(19)
	228	(350)
(Over)/under provision for taxation – prior year	–	–
	860	890

The net deferred tax liability of \$549m is primarily attributable to quarantined capital losses and unrealised income on investments.

Recognition and measurement

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*.

Current tax

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

Notes to the financial statements

for year ended 30 June 2016

Note 3 Income tax (continued)

Deferred tax

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

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

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

Key estimates

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

Note 4 Reserves

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

	Balance at 01/07/15 \$m	Transfers to/(from) funds \$m	Balance as at 30/06/16 \$m
General Reserve	624	(4)	620
Unallocated Contributions Reserve	13	3	16
Insurance Reserve	366	134	500
Operational Risk Financial Requirement Reserve	150	13	163
Reserves	1,153	146	1,299

Recognition and measurement

General Reserve

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

Unallocated Contributions Reserve

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

Insurance Reserve

QSuper ceased self-insurance with effect from 30 June 2016. Prior to this, death, total and permanent disablement and income protection insurance benefit premiums were collected and invested in 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 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 2015. The valuation reviews the adequacy of the reserve to meet projected future insurance liabilities. The liabilities include amounts for claim 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.

Notes to the financial statements

for year ended 30 June 2016

Note 4 Reserves (continued)

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.

Note 5 Accumulated member funds

	30/06/16		
	Reserves \$m	Accumulated member funds \$m	Total \$m
Liability for accrued benefits at the beginning of the financial year	1,153	57,530	58,683
Plus: Benefits accrued from ordinary activities after income tax	146	6,247	6,393
Liability for accrued benefits at the end of the financial year	1,299	63,777	65,076

	30/06/15		
	Reserves \$m	Accumulated member funds \$m	Total \$m
Liability for accrued benefits at the beginning of the financial year	955	50,354	51,309
Plus: Benefits accrued from ordinary activities after income tax	198	7,176	7,374
Liability for accrued benefits at the end of the financial year	1,153	57,530	58,683

Notes to the financial statements

for year ended 30 June 2016

Note 6 Change in net market value of investments

	30/06/16 \$m	30/06/15 \$m
(i) Investments unrealised at balance date		
Cash and short term deposits	(53)	17
Listed equity securities	(577)	1,148
Unlisted equity securities	5	3
Preference shares redeemable	(14)	–
Listed unit trusts	(26)	–
Listed property trusts	79	2
Futures	7	23
Warrants & options	9	(12)
Swaps	5	122
Forward foreign exchange contracts	420	(388)
Fixed interest bonds	272	(58)
Discount securities	55	(16)
Unlisted unit trusts	207	316
Total	389	1,157
(ii) Investments realised during the year		
Cash and short term deposits	96	282
Listed equity securities	(40)	323
Unlisted equity securities	42	6
Preference shares redeemable	(2)	
Listed property trusts	4	15
Futures	2	324
Warrants & options	(26)	(23)
Forward foreign exchange contracts	(92)	(502)
Fixed interest bonds	9	1
Discount securities	26	57
Unlisted unit trusts	667	73
Total	686	556
Total changes in net market value	1,075	1,713

Recognition and measurement

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

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).

Notes to the financial statements

for year ended 30 June 2016

Note 6 Change in net market value of investments (continued)

Other significant revenue streams

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.

Note 7 Employer contributions

	Notes	30/06/16 \$m	30/06/15 \$m
<i>Accumulation account</i>			
Employer contributions		2,785	2,490
		2,785	2,490
<i>Defined Benefit account</i>			
Employer contributions – salary sacrifice		211	178
Employer contributions – Queensland Treasury Corporation	(i)	1,579	1,796
		1,790	1,974
Employer contributions		4,575	4,464

(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 to Note 12 for further details in relation to employer contribution funding arrangements.

Recognition and measurement

Contributions and transfers

Contributions and transfers in from other superannuation funds are recognised on an accrual basis when control of the asset has transferred to the Fund.

Notes to the financial statements

for year ended 30 June 2016

Note 8 Related parties

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 Director
Mr Karl Douglas Morris (Chairman)	December 2013
Ms Melissa Anne Babbage	June 2013 (December 2015)
Mr Jeffrey (Jeff) John Backen	December 2013
Mr Michael (Mick) Ian Barnes	June 2009
Mr Walter Ivessa	June 2009
Mr Bede Farrell King	February 2013
Mr Terence (Terry) Mackenroth	April 2016
Ms Ruth Ethel Elizabeth McFarlane	December 2013
Ms Elizabeth (Beth) Ruth Mohle	December 2013
Dr Stephen Paul Christie	December 2014

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

Name	
Mr Michael Pennisi	Chief Executive Officer ¹ /Chief Strategy Officer
Ms Rosemary Vilgan	Chief Executive Officer ²
Ms Anne Finney	Chief Risk Officer ¹
Mr Matthew Halpin	Chief of Member Support & Advice
Mr Brad Holzberger	Chief Investment Officer
Mr Paul Landy	Chief of People & Transformation
Mr Kulwant Singh-Pangly	Chief Financial Officer
Ms Karin Muller	Chief of Information Technology ¹
Mr Andrew Baker	Chief of Member Experience ³

¹ Appointed during the year. ² Resigned during the year. ³ Commenced in role on 11 July 2016.

Notes to the financial statements

for year ended 30 June 2016

Note 8 Related parties (continued)

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 so we can optimise the management of operations and growth of QSuper for the benefit of members
- link employee rewards to the creation of value for members.

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 and 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 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 2015 and 2016 financial years, the QSuper Board also sought independent verification of its remuneration strategy by an external advisor, PwC.

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

Executive 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 two and six months' notice 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.
- Short-term incentives (STI) are based on annual performance against a balanced scorecard of appropriate performance measures and individual performance measures.
- Long-term incentives (LTI) are based on the longer-term performance measures.

Notes to the financial statements

for year ended 30 June 2016

Note 8 Related parties (continued)

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 +/- 15% (and up to the 75th percentile for outperformance for Total Remuneration) within the financial services sector in which the Group operates.

Variable remuneration

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

Short-term incentives

QSuper has two short-term cash incentive schemes relevant to Executives who have been employed by QSuper for more than 3 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 Chief Investment Officer (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 truly being a member-for-life Fund, are set by the Board at the commencement of each financial year. 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.

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 retirement adequacy, investment performance, managing operating costs and funds under management, stakeholder satisfaction and the engagement of the QSuper workforce.

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.

Notes to the financial statements

for year ended 30 June 2016

Note 8 Related parties (continued)

Long-term incentives

Performance conditions in the current 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 and an additional assessment by the Board of the Executive Committee's overall long term performance.

Annual cash grants are determined by the Board and remain at risk during the three year deferral period. 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.

Effective 30 June 2016, no new LTIs will commence and existing LTI grants will continue in accordance with the set schedule and LTI rules. STI deferral will commence in FY16/17 for the CEO and all Chief Officers (excluding the CIO) and will replace the LTI scheme as the method of aligning executive reward with the interest of members, managing retention, and continuing to encourage a long-term focus and appropriate risk management. As the time horizons of performance measured within the Investment STI plan already reflect the long-term focus, the CIO is not eligible for either the current LTI scheme or STI deferral.

The Board retains absolute discretion to reduce all LTI grants/STI payments downwards to zero at any time prior to payment.

The Group's results in the 2016 financial year reflect the continued progress against the Group's strategic plan.

Basis for preparation

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

Notes to the financial statements

for year ended 30 June 2016

Note 8 Related parties (continued)

Remuneration disclosures¹ for Trustees who were in the role, for the whole of, or part of the 2016 financial year are detailed in the table 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 ²	Non- monetary fixed	Cash STI payment ³	Other short term benefits	Pension and superannuation	Other post- employment benefits	Long Term Incentive (LTI) ³	Other e.g. long service leave	Total remuneration package
Karl Morris (Chairman)	Individual	10 December 13	2016	101,383	-	-	-	-	-	-	-	101,383
			2015	99,885	-	-	-	-	-	-	-	-
Melissa Babbage	Individual	19 Jun 13/(31 December 15)	2016	25,324	-	-	-	2,406	-	-	-	27,730
			2015	49,942	-	-	-	4,823	-	-	-	54,765
Michael Barnes	50/50 Individual and Qld Police Union	1 June 2009	2016	50,497	-	-	-	2,389	-	-	-	52,886
			2015	49,193	-	-	-	2,411	-	-	-	51,604
Jeffrey Backen	Qld Teachers Union	1 December 2013	2016	50,692	-	-	-	-	-	-	-	50,692
			2015	49,565	-	-	-	-	-	-	-	-
Stephen Christie	Individual	1 December 2014	2016	50,302	-	-	-	4,779	-	-	-	55,081
			2015	28,813	-	-	-	2,776	-	-	-	31,589
Walter Ivessa	Individual ⁴	1 June 2009	2016	49,890	-	-	-	4,740	-	-	-	54,630
			2015	24,395	-	-	-	2,357	-	-	-	26,752
Bede King	Individual	6 February 2013	2016	22,911	-	-	-	31,719	-	-	-	54,630
			2015	23,963	-	-	-	30,803	-	-	-	54,766
Terry Mackenroth	Individual	22 April 2016	2016	8,969	-	-	-	852	-	-	-	9,821
			2015	-	-	-	-	-	-	-	-	-
Ruth McFarlane	N/A ⁵	1 December 2013	2016	-	-	-	-	-	-	-	-	-
			2015	-	-	-	-	-	-	-	-	-
Elizabeth Mohle	Qld Nurses Union	1 December 2013	2016	50,692	-	-	-	-	-	-	-	50,692
			2015	49,943	-	-	-	-	-	-	-	-

Notes to the financial statements

for year ended 30 June 2016

Note 8 Related parties (continued)

¹ Reporting is in line with accounting standards. ² Cash fixed remuneration includes Trustee fees (exclusive of GST if applicable) and any salary sacrificed benefits other than superannuation (which is included in Pension and superannuation amounts). ³ Trustees do not participate in a Short Term Incentive (STI) scheme or Long Term Incentive (LTI) scheme. ⁴ Walter Ivessa was remunerated personally following his retirement from Qld Treasury in late 2014. ⁵ In accordance with QSuper policy, Trustees who are active Queensland Public Sector employees are not entitled to be remunerated for their QSuper Board activities.

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

Notes to the financial statements

for year ended 30 June 2016

Note 8 Related parties (continued)

Remuneration disclosures¹ for QSuper Executive Committee members who were in role, for the whole of, or part of 2016 are detailed in the table below. 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 superannuation	Other post-employment benefits	Long Term Incentive ⁴ (LTI)	Other e.g. long service leave ⁵	Total remuneration package
Michael Pennisi	Chief Executive Officer	23 October 2015	2016	358,762	7,724	200,000	–	64,501	–	32,613	10,186	673,786
			2015	–	–	–	–	–	–	–	–	–
Michael Pennisi	Chief Strategy Officer	2 November 2010/ (22 October 2015)	2016	128,252	3,433	–	–	34,149	–	14,495	8,795	189,124
			2015	384,656	10,938	164,188	–	75,171	–	36,480	11,252	682,685
Rosemary Vilgan	Chief Executive Officer	2 July 1997/ (23 October 2015)	2016	143,963	4,407	196,843 ⁶	–	47,520	–	30,928	–	423,661
			2015	571,465	10,938	328,071	–	110,663	–	81,914	28,084	1,131,135
Anne Finney	Chief Risk Officer	24 February 2016	2016	102,430	–	32,423	–	19,517	–	–	4,647	159,017
			2015	–	–	–	–	–	–	–	–	–
Matthew Halpin	Chief Officer Member Support and Advice	12 October 2010	2016	401,748	–	74,545	–	32,383	–	28,520	11,681	548,877
			2015	311,656	–	121,699	–	30,452	–	26,808	11,415	502,030
Brad Holzberger	Chief Investment Officer	11 March 2009	2016	640,943	–	485,453	–	35,000	–	–	23,964	1,185,360
			2015	595,124	–	512,955	–	34,780	–	–	20,240	1,163,099
Paul Landy	Chief Officer People and Transformation	15 December 2010	2016	294,853	11,157	112,698	–	29,939	–	25,948	12,554	487,149
			2015	286,108	10,938	116,051	–	30,315	–	25,315	8,050	476,777
Karin Muller	Chief Officer Information and Technology	26 April 2016	2016	51,934	–	17,112	–	5,680	–	–	956	75,682
			2015	–	–	–	–	–	–	–	–	–
Kulwant Singh-Pangly	Chief Financial Officer	1 October 2014	2016	353,899	–	129,417	–	39,554	–	13,492	10,922	547,284
			2015	185,152	–	105,101	–	20,847	–	–	10,342	321,442

Notes to the financial statements

for year ended 30 June 2016

Note 8 Related parties (continued)

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 No long service leave movement recorded for terminated executives during the year. ⁶ Recognises accrued annual and long service leave.

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

Notes to the financial statements

for year ended 30 June 2016

Note 8 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	% of potential incentive that was paid	% of potential incentive that was forfeited
Michael Pennisi	September 2015	2016	200,000	28 Sept 2016	66.67%	33.33%
	September 2014	2015	164,188	16 Sept 2015	80.00%	20.00%
Rosemary Vilgan	September 2015	2016	196,843	28 Sept 2016	60.00%	40.00%
	September 2014	2015	328,071	16 Sept 2015	80.00%	20.00%
Anne Finney ¹	September 2015	2016	32,423	28 Sept 2016	71.85%	28.15%
Matthew Halpin	September 2015	2016	74,545	28 Sept 2016	44.38%	55.62%
	September 2014	2015	121,699	16 Sept 2015	73.33%	26.67%
Brad Holzberger	September 2015	2016	485,453	28 Sept 2016	80.39%	19.61%
	September 2014	2015	512,955	16 Sept 2015	84.00%	16.00%
Paul Landy	September 2015	2016	112,698	28 Sept 2016	75.50%	24.50%
	September 2014	2015	116,051	16 Sept 2015	82.22%	17.78%
Karin Muller ¹	September 2015	2016	17,112	28 Sept 2016	70.29%	29.71%
Kulwant Singh-Pangly ²	September 2015	2016	129,417	28 Sept 2016	74.38%	25.62%
	September 2014	2015	105,101	16 Sept 2015	77.78% ³	22.22%
					76.67% ⁴	23.33%

¹ STI represents pro-rated amount based on date commenced in role during the year. ² STI potential and/or salary change due to internal appointment in FY14/15. STI amount pro-rated. ³ STI Maximum – 45% effective 17 December 2014. ⁴ STI Maximum – 30% until 16 December 2014.

Notes to the financial statements

for year ended 30 June 2016

Note 8 Related parties (continued)

Long-term incentive scheme

	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
Michael Pennisi	2016	75,000	September 2015	2018/2019	–	–	–
	2015	45,235	September 2014	2017/2018	–	–	–
	2014	44,348	September 2013	2016/2017	–	–	–
	2013	43,056	September 2012	2015/2016	33,704	78.28%	21.72%
Rosemary Vilgan	2015	102,522	September 2014	2015/2016	46,280	45.14%	54.86%
	2014	99,536	September 2013	2015/2016	58,311	58.58%	41.42%
	2013	95,250	September 2012	2015/2016	74,562	78.28%	21.72%
Matthew Halpin	2016	37,330	September 2015	2018/2019	–	–	–
	2015	33,419	September 2014	2017/2018	–	–	–
	2014	32,604	September 2013	2016/2017	–	–	–
	2013	31,350	September 2012	2015/2016	24,541	78.28%	21.72%
Paul Landy	2016	32,434	September 2015	2018/2019	–	–	–
	2015	31,643	September 2014	2017/2018	–	–	–
	2014	30,722	September 2013	2016/2017	–	–	–
	2013	29,540	September 2012	2015/2016	23,124	78.28%	21.72%
Kulwant Singh-Pangly	2016	38,665	September 2015	2018/2019	–	–	–

¹ This is the maximum possible payment amount and is subject to service and performance criteria being met over 3 years from the beginning of the financial year it is granted. Payment is held at risk until the end of the 3 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 3 year performance period.

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

Notes to the financial statements

for year ended 30 June 2016

Note 8 Related parties (continued)

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 fund administration, procurement and investment services to QSuper and is paid an administration fee. The administration fee incorporates all administration costs including superannuation administration, cost of running self-insurance, medical costs, strategic and change initiatives, and investment services.

During the financial year, fees paid/payable to QSuper Limited and its wholly-owned entities aggregated \$215m (2015: \$156m).

QSuper Limited owns 100% of the ordinary shares of QInvest Limited, One QSuper Pty Ltd and QSuper Asset Management Pty Ltd. QInvest Limited provides financial planning services and is paid a financial planning fee by QSuper. One QSuper Pty Ltd provides a labour hire service and is paid labour hire fees by QSuper. QSuper Asset Management Pty Ltd provided investment services to QSuper from 1 April 2016.

During the financial year, fees paid/payable to QInvest Limited aggregated \$7m (2015: \$12m), fees paid/payable to One QSuper Pty Ltd aggregated \$89m (2015: \$35m), and fees paid/payable to QSuper Asset Management Pty Ltd aggregated \$5m.

Recognition and measurement

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

Investments in service providers

The Fund has investments in service providers which it controls. These investments are measured as QSuper's share of net assets at reporting date based on holdings. The Fund has determined that it is an investment entity under the definition in AASB 10 as it meets the following criteria:

1. The Fund obtains funds from members for the purpose of providing these members with investment management services.
2. The Fund commits to its members that its business purpose is to invest solely for returns from capital appreciation, investment income, or both.
3. The Fund measures and evaluates the performance of substantially all of its investments on a fair value basis.

Therefore the Fund does not consolidate these investments but accounts for them at net market value which approximates fair value.

Investments in associated entities

QSuper Limited, QSuper Investment Company Pty Ltd, QSuper RE (a Luxembourg company), St Nicholas Car Park Company Ltd and The Bridges Car Park Company Ltd are wholly owned by the Board of Trustees of the State Public Sector Superannuation Scheme as trustee for the State Public Sector Superannuation Scheme ('QSuper'). 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.

Notes to the financial statements

for year ended 30 June 2016

Note 8 Related parties (continued)

A number of subsidiaries of QSuper Limited are also the trustee for the following investment trusts where QSuper is the ultimate beneficiary.

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

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

Investment strategy	30/06/16 \$m	Exposure %	Financial statement caption
Cash and fixed interest	10,066	47%	Unlisted unit trusts – cash and fixed interest
Private equity and alternatives	2,664	12%	Unlisted unit trusts – private equity and alternatives
Infrastructure	4,438	21%	Unlisted unit trusts – infrastructure
Equity and futures	3,105	14%	Unlisted unit trusts – equity and futures
Property	1,169	6%	Unlisted unit trusts – property
Total	21,442	100%	

As at 30 June 2016, the total assets exceeded the total liabilities of these trusts.

Notes to the financial statements

for year ended 30 June 2016

Note 9 Financial instruments and risk management

Overview

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

The majority of investments of QSuper are held in custody on behalf of the Board by State Street Australia Limited (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 (ARC) assists the Board in discharging its governance and administrative responsibilities. The ARC's role encompasses reviewing the management of risk, including overseeing the material risks and ensuring appropriate internal controls are in place to address those risks; monitoring the compliance of QSuper with legislative requirements; reviewing internal and external audit findings and monitoring the implementation of audit recommendations; and reviewing financial statements.

The Investment Committee provides assistance to the Board in discharging its investment oversight in relation to QSuper. The principal duties and responsibilities of the Committee include recommending to the Board the investment objectives for QSuper and its various member investment 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 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.

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

These variables are based on the various indices applicable to the underlying assets of the unit trusts, which have been determined by QSuper's custodian, 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.

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.

Notes to the financial statements

for year ended 30 June 2016

Note 9 Financial instruments and risk management (continued)

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

In accordance with AASB 7 Financial Instruments Disclosure, the sensitivity analysis is based on historical data over the past 5 years and reasonably possible investment return movements by asset class during the 2016 financial year.

Sensitivities used		
	30/06/16	30/06/15
Equities	10%	15%
Real Estate	12%	15%
Infrastructure	18%	15%
Diversified Alternatives	11%	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 2015 whereby the assets which are applied are the non-interest bearing instruments and are not guaranteed.

Asset classes are consistent with information provided internally to key management personnel.

Sensitivity of price risk and changes on net assets				
30 June 2016	%	(Decrease) \$m	Increase \$m	
Equities	10	(2,049)	2,049	
Real Estate	12	(495)	495	
Infrastructure	18	(1,097)	1,097	
Diversified Alternatives	11	(763)	763	
30 June 2015				
Equities	15	(2,783)	2,783	
Real Estate	15	(1,709)	1,709	
Infrastructure	15	(509)	509	
Diversified Alternatives	15	(981)	981	

Notes to the financial statements

for year ended 30 June 2016

Note 9 Financial instruments and risk management (continued)

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.

Net foreign currency exposure at 30 June 2016 was \$3,761m (30 June 2015: \$3,836m).

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

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

Sensitivity analysis

A 10% increase or decrease in possible foreign currency exchange rates will not have a material impact on the net assets of the Fund.

Interest rate risk

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

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

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

Sensitivity analysis

A 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates. As at 30 June 2016 a 100 basis point movement would have a \$2,079m (30 June 2015: \$1,697m) impact on the net assets of the Fund.

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

QSuper may use derivative contracts to manage its exposure to credit risk in accordance with approved investment strategies. The net market value of credit related derivatives held at 30 June 2016 was immaterial.

Notes to the financial statements

for year ended 30 June 2016

Note 9 Financial instruments and risk management (continued)

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

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

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

Concentrations of risk

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

The concentrations of risk are managed by the investment team within prescribed limits 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.

Liquidity risk

Liquidity risk is the risk that QSuper may not be able to generate sufficient cash resources to settle its obligations in full as and when they fall due or can only do so on terms that are materially disadvantageous. QSuper is therefore exposed to the liquidity risk of meeting members' withdrawals at any time and switching a member's balance to a different investment choice option.

QSuper's financial instruments include unlisted investments that are not trades in organised public markets and may be illiquid. As a result, the Fund may not be able to liquidate quickly some of its investments as an amount close to fair value in order to meet its liquidity requirements. As the value of these investments is monitored to comply with the asset allocation stipulated in the Fund's Investment Strategy, this risk is considered minimal.

The Fund's listed securities are considered to be readily realisable as they are all listed on recognised stock exchanges around the world.

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.

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 or securities as collateral against loans in an amount between 100.1% to 110.0% of the fair value of the loaned securities (2015: 100.1% to 110.0%).

The total net fair value of assets subject to securities lending arrangements at the end of the year amounts to \$13,675m (2015: \$13,873m). The total value of securities on loan at 30 June 2016 which are recognised as an asset in the Statement of Net Assets, amounted to \$214m (2015: \$509m).

During the year ended 30 June 2016, the gross earnings on securities lending collateral were \$6m (2015: \$4m). 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 2016, the Fund paid fees to the State Street Bank and Trust Company in the amount of \$1.2m (2015: \$0.8m) for acting as lending agent.

The risks and benefits of ownership of the loaned assets remain with the Fund.

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 2016 is \$224m (2015: \$536m).

Notes to the financial statements

for year ended 30 June 2016

Note 10 Liability for accrued benefits

The last actuarial review of QSuper was conducted as at 30 June 2015 by the State Actuary, Mr W H Cannon BSc(Hons) FIAA. The value of accrued benefits as at that date was \$77,642m. 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.

Recognition and measurement

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. 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.

Note 11 Vested benefits

Vested benefits are benefits that are not conditional upon continued membership of QSuper (or any factor other than resignation from the scheme) and include benefits which members were entitled to receive had they terminated their QSuper membership as at the reporting date. This amount has been estimated using actuarial assumptions from the most recent actuarial valuation of QSuper as at 30 June 2015.

	30/06/16 \$m	30/06/15 \$m
Vested benefits	86,600	80,385

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 2015 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 2015 was \$79,702m.

Notes to the financial statements

for year ended 30 June 2016

Note 12 Funding arrangements

Defined Benefit arrangement

Standard members' contributions are made to QSuper at a rate ranging from 2% to 11.5% (2015: 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 employer's 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 \$1,579 million for 2016 (2015: \$1,796 million).

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 2016 (net of reimbursements) are \$9m (2015: \$8m).

Accumulation arrangement

Where members have chosen an accumulation-style benefit, all member and employer contributions are paid to QSuper.

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.

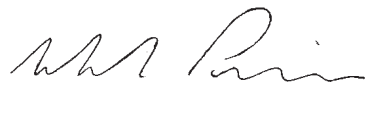
Statement of the Board of Trustees of the State Public Sector Superannuation Scheme for the year ended 30 June 2016

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 2016 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



Michael Pennisi
Chief Executive Officer

29 September 2016
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).

Financial statements

I have audited the financial statements of State Public Sector Superannuation Scheme for the year ended 30 June 2016 comprising the Statement of Changes in Net Assets, the Statement of Net Assets, Summary of Significant Accounting Policies, and other explanatory notes.

Directors' responsibility for the financial report

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 Local Government 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.

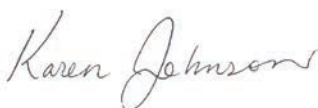
Opinion

In my opinion, the financial statements present fairly, in all material respects, in accordance with Australian Accounting Standards the operations of the Board of Trustees of the State Public Sector Superannuation Scheme for the year ended 30 June 2016.

Other matters – electronic presentation of the audited financial report

Those viewing an electronic presentation of these financial statements should note that audit does not provide assurance on the integrity of the information presented electronically and does not provide an opinion on any information which may be hyperlinked to or from the financial statements. If users of the financial statements are concerned with the inherent risks arising from electronic presentation of information, they are advised to refer to the printed copy of the audited financial statements to confirm the accuracy of this electronically presented information.

K JOHNSON FCA



Assistant Auditor-General
(as delegate of the Auditor-General of Queensland)
29 September 2016

Queensland Audit Office
Brisbane

Appendix

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

as at 30 June 2015

An actuarial investigation of QSuper was conducted as at 30 June 2015 by State Actuary Mr W H Cannon. A summary of the investigation is given below, with the full report available at qsuper.qld.gov.au/~media/PDFs/QSuper-public/Publications/Annual-report/actuarialreport2015.ashx?la=en.

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 \$10.05 billion, compared with a \$5.95 billion surplus at the 2013 valuation. This increase is largely due to strong investment returns since that time, offset by changes in the valuation basis at this review.

The Review has been undertaken on the basis that the suspension of investment of employer contributions announced by the Treasurer in the 2015-16 Budget continues for five years, with investment to recommence thereafter. Those employer contributions are 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

In view of the strong financial position, the Actuary believes that a maximum surplus repatriation of \$2.0 billion from the Employer Fund represents an appropriate response to the high level of surplus, maintaining a reasonable capital buffer to protect the funding position against adverse experience.

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 2015	\$ million		
	Defined Benefit	Other	Total
QSuper Fund	5,071	53,612	58,683
Employer Fund	29,014	–	29,014
Total	34,085	53,612	87,697

Notes to the financial statements

for year ended 30 June 2016

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 2015, the value of vested benefits after allowing for the estimated contributions tax was \$80,385 million, implying a scheme VBI of 109.1%. For active defined benefit members only, the VBI was 138.2%.

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 2015 was \$77,642 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 157.4%, which indicates the assets were more than sufficient to provide for the present value of accrued benefits.

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