

Annual report

of the QSuper Board of Trustees
and the Government Superannuation Office



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Profile of QSuper and the Government Superannuation Office

The Treasurer of Queensland is responsible for the superannuation arrangements of the Queensland public sector and the major fund is QSuper. As a portfolio office of Queensland Treasury, the Government Superannuation Office (GSO) administers QSuper for its Board of Trustees.

Vision

As a leading Australian superannuation fund, QSuper will be recognised for our contribution to the quality of each member's life through low fees, real service, better knowledge, and solid returns.

Values

Our values are:

- Members
- Innovation
- Delivery
- Professionalism

The Queensland Government provides valuable superannuation coverage to its employees, offering generous employer contributions and flexible options to assist members in meeting their retirement income needs. Importantly, the Queensland Government fully funds superannuation benefits for its employees, which gives long-term security of members' benefits. Through the QSuper Board of Trustees, superannuation for Queensland public sector employees is managed as a partnership between employers and unions.

QSuper is a leading fund within the Australian superannuation industry and provides flexible and cost-effective products and services to its members. The Board is committed to assisting Queensland public sector employees in the achievement of their retirement income goals, by providing quality products and services.

The Commonwealth Government has classified the Queensland Government's superannuation fund as "exempt public sector superannuation schemes" under the *Superannuation Industry (Supervision) Act 1993*. However, while the Queensland Government's superannuation fund is technically exempt from this legislation, it complies with Commonwealth Government retirement income policies by means of a Heads of Government Agreement.

Purpose of the report

The QSuper Board of Trustees and the GSO have pleasure in submitting our annual report for the 12 months ending 30 June 2005.

This report has been prepared for the Queensland Parliament, and other individuals and organisations that share an interest in the objectives, achievements, and future direction of QSuper and the GSO.

Board of Trustees

The QSuper Board of Trustees is constituted under the *Superannuation (State and Public Sector) Act 1990*.

The Act requires equal member and employer representation on the Board with the Under Treasurer of Queensland being, ex-officio, Chairman. Trustees serve on the Board for a term of 3 years, after which they may accept reappointment.

Trustee details ▶▶

The Trustees of QSuper are known as the Board of Trustees of the State Public Sector Superannuation Scheme (ABN 60 905 115 063).

▼ Employer representatives

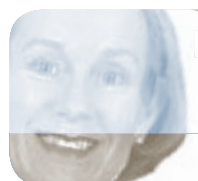
(nominated by the Queensland Government)



Gerard Bradley

Under Treasurer and
Chairman of the Board

Meeting attendance 10
(Deputy – Tim Spencer)



Linda Apelt

Director-General
Department of Communities and
Disability Services Queensland

Meeting attendance 9
(Deputy – Wayne Cannon)



Terri Hamilton

Managing Director
MAP Funds Management Ltd

Meeting attendance 10
(Deputy – John Carpendale)



Tony Hawkins

Chief Executive Officer
WorkCover Queensland

Meeting attendance 12
(Deputy – John Carpendale)



Helen Ringrose

Director-General
Department of Tourism, Fair Trading
and Wine Industry Development

Meeting attendance 9
(Deputy – Laurie Longland)

▼ Member representatives

(nominated by the Combined Public Sector Unions'
Superannuation Committee)



Chris Barrett

Assistant General Secretary
Queensland Council of Unions

Meeting attendance 10
(Deputy – Grace Grace)



Karen Peut

Council Delegate
Queensland Public Sector Union

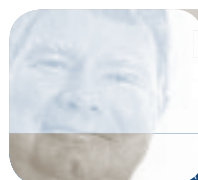
Meeting attendance 8
(Deputy – Alex Scott)



Garry Ryan

State President and Southern
District Secretary
The Australian Workers' Union

Meeting attendance 11
(Deputy – Tom Jeffers)



Steve Ryan

President
Queensland Teachers' Union

Meeting attendance 10
(Deputy – Jeff Backen)



Merv Bainbridge

Deputy for Gary Wilkinson
Official, Queensland Police
Union of Employees

Meeting attendance 12



Chairman and Chief Executive Officer's report

CONTROL

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At QSuper our members are important to us.
That's why we offer low fees, solid returns,
better knowledge, and real service.



Gerard Bradley
Under Treasurer and
Chairman, QSuper Board of Trustees

Rosemary Vilgan
Chief Executive Officer
Government Superannuation Office
Executive Officer, QSuper Board of Trustees

A strong Australian economy, buoyant stockmarkets, and sound financial management have allowed members to enjoy healthy returns for the second year in a row, and have seen QSuper once again ranked as one of Australia's best performing superannuation funds.

Financials

We are delighted with the solid returns achieved for members during 2004/2005. The Accumulation account Balanced option returned 15.38% to members for the year ending 30 June 2005. This placed QSuper a close second in Australia according to information released by independent researcher SuperRatings, outperforming the average balanced fund by 2.6%.

QSuper funds under management continued to grow strongly in 2004/2005 from \$13.1 billion to almost \$16.0 billion. Total funds, including Queensland Government superannuation reserves within Queensland Treasury, grew from \$25.8 billion to \$31.3 billion. During the year the State Actuary completed his triennial review of QSuper and found the Fund is in a very healthy financial position.

Member options

Members were given greater investment choice in January 2005 when four new investment options were made available – Socially Responsible, Fixed Interest, Australian Shares, and International Shares. These options were well received, with contributions of around \$55 million in the first 6 months to 30 June 2005, showing QSuper members have reacted positively to the opportunity to have more control over how and where their money is invested. The QSuper Board of Trustees also considered introducing a Property option, but decided to defer the launch due to a short supply of quality property assets such as shopping centres.

Communications

The relaunch of the QSuper website was a key development in communication to members throughout 2004/2005. This redevelopment was designed to facilitate ease of use, and incorporates many suggestions from members. Online access to accounts was also promoted heavily to members, leading to almost 25,000 registrations during 2004/2005, a figure more than double that of 2003/2004. Combined with 560,000 visits to the QSuper website – an increase of nearly 100,000 from the previous year – this shows a pleasing response by members to QSuper's improved online facilities. Further improvements to the website will be put in place over the coming year, including the launch of a range of financial education tours.

Demographics

Superannuation has received a great deal of media attention over the past year, and the superannuation industry is facing a period of enormous change due to Commonwealth Government legislative changes and the challenges posed by the changing demographics of

Australian society. The impact of the baby boomer generation moving towards retirement is already being felt by the superannuation industry as a whole, but a major challenge for QSuper over the next decade will be the retention of generation X, Y, and Z members who, it is predicted, will hold around 80% of funds by 2020.

Strategy

The Board began planning for the challenges that will be brought about by this period of change in August 2004. A comprehensive review of the existing business model, combined with a consideration of the competitive environment, and strategies that may meet the changing needs of members, culminated in the release of the QSuper 2005 to 2008 strategic plan. The plan focuses on five areas of the business – branding, products and services, financial education, tactical marketing, and enablers – and is structured around QSuper's attributes, which underpin everything QSuper does for its members.

Going forward the Board will consider whether to implement new products in response to opportunities created by Commonwealth Government legislative changes, and one of its main focuses will be the 'transition to retirement' legislation. Under this legislation, employees who have reached their preservation age can access their accrued superannuation through an income stream without retiring from the workforce. Whilst not compulsory for a fund to provide this facility, the Board will examine this option closely to see how we can best help QSuper members in their transition to retirement, while at the same time address some of the emerging skill shortages in the Queensland public sector.

Research

Speaking with members is vital to understanding their needs, and comprehensive member research was carried out during 2004/2005 to achieve this goal. The majority of members are very satisfied with QSuper and exhibit a strong level of loyalty, with QSuper having a positive brand image among members, being strongly associated with stability, security, and trust. Another key result of this research was the recognition that the information needs of members change as they approach retirement. In response the segmentation of QSuper's main communication pieces was implemented during 2004/2005.

Acknowledgements

On behalf of the QSuper Board of Trustees, we would like to thank major service providers, including the GSO, QIC, Q•Invest, and the State Actuary for their continued support of QSuper. The Board also appreciates the support received from the Auditor-General of Queensland. We would also like to thank Board members for their commitment to QSuper and QSuper's members.

QSuper summary

Financial summary

QSuper member and employer funds as at 1 July 2004

\$12,981.12m

Inflows

Investment income	\$2,237.95m
Employer contributions	\$940.18m
Member contributions	\$666.76m
Transfers in	\$285.13m
Other income	\$0.92m

Total inflows

\$4,130.94m

Outflows

Benefits paid	\$1,060.26m
Administration expenses	\$39.61m
Financial planning expenses	\$8.97m
Income tax expense	\$125.01m
Other expenses	\$18.94m

Total outflows

\$1,252.79m

Net assets available to pay benefits at 30 June 2005

\$15,859.27m

For further information refer to the detailed financial statements.

Membership summary

Number of accounts at 30 June 2004	525,801
Accounts opened	43,387
Accounts closed	21,433
Number of accounts at 30 June 2005	547,755

	30 June 2004	30 June 2005
Average member account balance	\$49,622	\$53,954

Highlights

STRATEGIC BUSINESS PRIORITIES	HIGHLIGHTS	THE YEAR AHEAD	
<p>Provide members with information, guidance, tools, and advice to equip them to make informed decisions about their future needs.</p>	<ul style="list-style-type: none"> Awarded a national communications award for QSuper's annual report to members, <i>Super Scoop</i>. Piloted a 'Super month' series of seminars in Brisbane in March 2005, which was attended by over 3,000 members. Developed "low fees, real service, better knowledge, and solid returns" as QSuper's product attributes. 	<ul style="list-style-type: none"> Introduce an education module to the QSuper website. 	
<p>Develop an enhanced understanding of members' and employers' actions and needs through dedicated research, data, and behavioural analysis.</p>	<ul style="list-style-type: none"> Completed market research of QSuper's products, member retention, branding, and member services. Segmented communication material to better meet members' financial lifestyle needs. 	<ul style="list-style-type: none"> Continue building on our internal and external market research to enhance products and services, improve member retention, and increase funds under management. 	
<p>Build systems solutions to deliver cost-effective products and services to members and employers.</p>	<ul style="list-style-type: none"> Launched the redeveloped QSuper website. Recorded over 560,000 visits to the QSuper website and almost 25,000 member registrations for online access to their accounts. Adopted an information technology service management framework to ensure a reliable high level of performance to business units who have direct member contact. 	<ul style="list-style-type: none"> Continue redeveloping the website to make it more member focussed and innovative. 	
<p>Ensure investment performance is commensurate with the performance of the general markets and agreed targets.</p>	<ul style="list-style-type: none"> Introduced four new investment options. Funds under management exceeded \$15 billion. QSuper's Accumulation account – Balanced option – ranked as the second best performing of its type in Australia. 	<ul style="list-style-type: none"> Review QSuper's investment strategy to continue delivering the best possible outcomes for members, and to build on the strong returns achieved in 2004/2005. 	



Low fees

At QSuper, keeping fees as low as we can is important to us, so our members have more money working for them.

Low fees

QSuper is well known for low fees, and keeping them low is a priority because the less our members pay in fees, the more money they have working for their future.

Super accounts grow with investment returns but reduce with fees. Over the long term, high fees can have a substantial effect on the overall growth of a superannuation account as they eat away at retirement savings and the investment returns earned on those savings. Additionally returns can vary annually, so the top-ranked fund in any given year may not necessarily perform well the next year, whereas a consistent low fee will benefit members year after year.

QSuper members are charged just one low fee. We charge no entry or exit fees and no commissions. Our fees are among the lowest in Australia – in fact throughout 2004/2005 we consistently met our goal to be within the lowest quartile among our peers when it comes to fees. The management expense ratio (MER) for our Balanced option for 2004/2005 was 0.58%. The MER is generally the total expenses of the Fund (e.g. investment, management, trusteeship) as a proportion of the Fund's net asset value. The 2004/2005 MERs for all of QSuper's options are shown in the table below.

Option	MER
Cash	0.37%
Cash Plus	0.48%
Balanced	0.58%
High Growth	0.58%
Socially Responsible	1.02%
Fixed Interest	0.50%
Australian Shares	0.53%
International Shares	0.68%

All figures for the 2004/2005 financial year are provisional.

A member with funds in the VPP (closed) option pays an additional 0.35% for a capital guarantee over their funds.

There has been a small increase in the MERs for some options. These are related to additional costs charged by external investment managers, who were engaged to enhance overall returns. The fee for our new Socially Responsible option is considerably higher than those for the other options, but this is due to the expenses incurred by external managers when researching companies to ensure they meet socially responsible investment criteria.

In 2004/2005 the Board, QIC, and the GSO focussed on realising efficiencies in both investment management and administration costs, which will help QSuper to maintain low fees for our members over the coming years.

Defined Benefit accounts (including State and Police accounts) receive a benefit based on a multiple of salary calculation, so fees and investment returns do not directly affect the member's end benefit. The 2004/2005 provisional MER for the Defined Benefit account is 0.57%.

The returns QSuper members receive in the Accumulation account are calculated after fees and a tax provision have been deducted, which means the returns are always net of fees. No tax is deducted from Allocated Pension accounts, but returns are again calculated after fees are deducted.

With QSuper's low fees, our members are already in front.

Our fees are among the lowest in Australia – in fact throughout 2004/2005 we consistently met our goal to be within the lowest quartile among our peers when it comes to fees.



Real service

At QSuper, we're proud of the real service and professional expertise we provide to our members.

Real service

At QSuper our members are important to us, and when we say real service we mean it. As one of the largest superannuation funds in Australia, our services reach thousands of Queenslanders. Over the last year more than 50,000 new members joined QSuper and discovered all the benefits we have to offer.

Member Services is the first point of contact for the majority of our members, and overall transactions have increased by 10% on 2003/2004 figures. This increase is primarily driven by a 7% growth in calls to the contact centre, which is a result of members seeking more information on Australian Taxation Office activities such as lost members and the superannuation co-contribution, and on the Commonwealth Government's new choice of fund legislation. Despite this significant increase in calls, we were still able to meet our target of answering 85% of calls within 60 seconds. There were also over 16,000 visits to the Member Services centre, an increase of 4%.

Correspondence was up by 14%, with a 46% increase in written correspondence but, despite increased traffic to our website, a 10% decrease in email correspondence. Email enquiries are now being responded to by a telephone call, as this provides a quicker response at a lower cost.

We are continually striving to improve the service we can offer our members. During the year there was a continued focus on quality, with quality programs being refined to continue to improve service delivery. Answering queries at the first contact has improved from 86% to 96% due to the implementation of business improvements identified via a Six Sigma project. Ninety four percent of Member Services staff now have finance industry recognised accreditation (PS146), and a program of ongoing training operates.

In June, QSuper's real service was recognised at the 2005 Australian Teleservices Association Queensland Contact Centre industry awards. QSuper received finalist nominations in four out of five categories – more than any of the other 120 organisations represented at the event. One of these nominees, Ritu Pathak, won the state competition and ultimately the national award.

Additionally, the QSuper seminar unit received a Queensland Treasury Australia Day award for exceptional service in providing information to our members.

A significant proportion of QSuper members live outside the Brisbane metropolitan area, and as part of expanding our services to these members QSuper's financial planning arm, Q•Invest, opened an office in Townsville in October 2004. QSuper and QIC are the shareholders of Q Invest Limited, and established the organisation in 1994 to provide relevant, accessible, and affordable planning advice. Q•Invest is one of the largest financial planning organisations in Queensland, and provides advice on a range of issues covering superannuation, retirement planning, and general investments.

A joint QSuper/employer approach to managing insurance benefits was established in previous years. This means that there is a person who liaises with employers on a regular basis to ensure that both QSuper and the agency is taking the same management approach with the member. This approach continues to be a great success, and over the past year QSuper visited a number of employers to provide educational and training sessions to relevant staff.

At QSuper, it's our service that makes the difference.

Our popular seminars are held at locations throughout the state, our website lets members check their accounts 24 hours a day, and when members contact us they can always speak to a real person who has the knowledge to answer all their questions.



Better knowledge

At QSuper, we are committed to giving our members better knowledge and education to understand their superannuation, so they can enjoy a better lifestyle in retirement.

Better knowledge

For the majority of our 430,000 members, their superannuation benefit will be the largest sum of money they will ever have to deal with. That's why at QSuper we are dedicated to providing our members with better knowledge and education so they can make the most of their super and their retirement.

QSuper members have access to a wide range of information services at no extra cost, including our Contact Centre, the QSuper website, state-wide seminars, and financial planning advice from Q•Invest. These services are all designed to assist members in making the best financial choices, to help them have the lifestyle they want in retirement.

In January 2005 we launched the redeveloped QSuper website. Our new website is easy to navigate, has user-friendly menus, and contains a great range of tools including calculators, forms, and publications to help members plan their financial future. It also incorporates many suggestions from QSuper members. To further enhance our online information services, we developed a range of financial education tours, to be launched during 2005/2006. This suite of tours and tools, called Qlearn, is intended to further educate our members about their super and a wide range of other financial issues. There were more than 560,000 hits on the QSuper website during 2004/2005, an increase of more than 100,000 on the previous year.

Online access to member information via the website continues to be a success. Increased promotion of this facility has led to almost 25,000 members registering over the 12 months, a figure more than double that of 2003/2004. Once registered, members are able to look at their account balances, check their investment preference, request quotes, and update their personal details.

In response to detailed member research, we began the segmentation of our main communication products to meet the differing needs of our members. As the information needs of members change as they get nearer to retirement, we created two versions of *Super Scoop*, our annual report to members. One version is for members over age 50, and the other is for members under age 50. We also planned the segmentation of our member newsletter, and going forward will produce *Financing you future* for over 50s and *Your future* for under 50s. We are regarded as an industry leader in the field of communication and member education, and for the third successive year we were presented with a 2004 ASFA award for excellence in communication for *Super Scoop*.

To better enhance our contact with members in 2004/2005, we carried out a major communications review. As a result of this review we developed a new corporate identity that was implemented across all publications to deliver a consistent message to all members.

During the past year, we worked with Q•Invest on innovations in financial planning. Q•Invest now offers a wide range of advice options to QSuper members over the phone.

We continued refining our seminar program by using demographic information to choose locations, and by running the same seminar in many locations at the same time. There was a wide geographic coverage, with seminars being presented in 69 locations, 46 of those regional. A 'Super month' series of seminars was piloted in Brisbane in March 2005, which involved presenting a range of seminars in a location central to many employers, making it easier for members to attend an information session that suits their needs. Over 3,000 members attended one of these seminars, and the concept will be rolled out more widely in regional areas during 2005/2006. Survey results indicate a large shift in knowledge before and after attending a seminar. Ninety nine percent of attendees would recommend a QSuper seminar to others.

At QSuper we know the better our members' knowledge, the better the decisions they make.

QSuper members have access to a wide range of information services at no extra cost, including our Contact Centre, the QSuper website, state-wide seminars, and financial planning advice from Q•Invest.



Solid returns

QSuper's commitment to achieving solid returns for members was more evident than ever in its strong results for the 2004/2005 year.

Solid returns

At QSuper we aim to perform strongly, to beat industry averages, and to provide a solid return to members over the long term.

Throughout 2004/2005, QSuper built on our previous successes to provide our members with another year of excellent returns, with funds under management growing to \$16 billion just after year's end. A buoyant stockmarket and a strong Australian economy, combined with the sound financial management of our members' funds led to our Accumulation account Balanced option earning 15.38%. This placed us a close second in Australia according to information released by independent researcher *SuperRatings* in their Balanced Fund June 2005 survey, outperforming the average balanced fund by 2.6%.

One of the major reasons for our excellent performance is a higher allocation of equities across many of our options. Returns for Australian shares have been particularly strong partly due to the strong domestic economy, but also because of a continued demand for commodities. In fact, our top Australian shareholding at 30 June 2005 was BHP Billiton Limited. The decision to 100% hedge foreign currency exposure during 2004/2005 also contributed to our strong performance.

On 1 January 2005 we introduced four new member investment choice (MIC) options; Socially Responsible, Fixed Interest, Australian Shares, and International Shares. These new options give our members more choice over how and where their money is invested, allowing them to choose an investment strategy to suit their needs and attitude to risk. The ability to choose exactly what proportion of their money is invested in each asset class gives members the opportunity to build their own investment portfolio. Interest in these new options has been pleasing, with Fixed Interest and Australian Shares in particular receiving considerable support from members with contributions of around \$19 million and \$22 million respectively since 1 January 2005.

The QSuper Board of Trustees has also considered introducing a Property option, but decided to defer the launch due to a short supply of quality property assets such as shopping centres. However the situation will be closely monitored, and the Board hopes to launch this option in the future.

QIC is the driving force behind QSuper's impressive investment performance. QIC has been QSuper's investment manager for over a decade, and they invest our members' funds using both their own in-house expertise and the skills of some of the world's best fund managers. In fact around 50% of QSuper funds are managed by these external managers. This diversification of fund managers means our members' funds are benefiting from specialist skills in a range of regions and markets.

QIC aims to develop a team of external managers who consistently perform well under varying economic and market conditions. A rigorous selection process is in place, and all external managers are continuously monitored to maximise individual managers' performance, minimise risk, and to ensure funds are managed according to the strategy set by the Board.

The Board is committed to long-term investment objectives, and the coming year will see strategies put in place to ensure this goal continues to be met. These include reducing currency hedging, diversifying listed equities exposure, and investigating new investment opportunities such as private equity, infrastructure, and global property.

When it comes to long-term performance, we're up there with Australia's best superannuation funds.

Throughout 2004/2005, QSuper built on previous successes to provide our members with another year of excellent returns, with funds under management growing to \$16 billion just after year's end.

Accumulation account

A QSuper Accumulation account caters for members during and after their employment with the Queensland Government, as well as their spouses. The Accumulation account is the automatic option for new employees of all core Queensland public sector agencies, and is also available to non-core agencies by individual employer arrangement.

	2003/2004	2004/2005
Membership	368,290	393,345
Benefit payments	27,148	28,879
Income protection benefits paid	868	899
Rollovers to QSuper	19,543	21,154
Members making voluntary contributions	15,080	23,353
Members with additional insurance coverage	2,146	2,652
Accumulation accounts opened via spouse deposits	1,407	1,474
Income		
Contribution:	\$1,399.1m	\$1,975.2m
Investment:	\$864.8m	\$1,238.1m
Miscellaneous:	\$0.3m	\$0.6m
Total:	\$2,264.2m	\$3,213.9m
Expenditure	\$788.7m	\$696.9m
Balance of accounts¹	\$5,944.0m	\$8,461.0m
Crediting rate as at 30 June		
Cash	4.36%	4.73%
Cash Plus	9.55%	9.90%
Balanced	15.26%	15.38%
High Growth	19.97%	16.34%
Socially Responsible	n/a	1.55%
Fixed Interest	n/a	4.30%
Australian Shares	n/a	7.25%
International Shares	n/a	4.27%
MER²		
Cash	0.37%	0.37%
Cash Plus	0.45%	0.48%
Balanced	0.54%	0.58%
High Growth	0.57%	0.58%
Socially Responsible	n/a	1.02%#
Fixed Interest	n/a	0.50%#
Australian Shares	n/a	0.53%#
International Shares	n/a	0.68%#

¹ These amounts include some reserves held in the Consolidated Fund.

² Management expense ratio (MER) generally the total expenses of the Fund (e.g. investment, management, trusteeship) as a proportion of the Fund's net asset value. These figures are provisional.

* based on partial year as these options were introduced on 1 January 2005.

These MERs have been annualised as these options were introduced on 1 January 2005.

Assets	Allocation ranges	Actual asset allocation	Actual asset allocation
	As approved by the QSuper Board of Trustees	Year ending 30 June 2004	Year ending 30 June 2005
Cash			
Cash	100%	100%	100%
Fixed interest	0%	0%	0%
Property	0%	0%	0%
Australian shares	0%	0%	0%
International shares	0%	0%	0%
Cash Plus			
Cash	49.0-64.5%	52.9%	54.7%
Fixed interest	2.5-18.5%	8.7%	8.1%
Property	2.5-8.0%	4.6%	4.0%
Australian shares	14.0-21.0%	17.7%	17.4%
International shares	11.5-19.0%	16.1%	15.8%
Balanced			
Cash	3.0-22.0%	6.2%	9.5%
Fixed interest	5.0-35.0%	17.3%	16.2%
Property	5.0-15.0%	9.1%	8.0%
Australian shares	30.0-40.0%	35.3%	34.8%
International shares	24.0-36.0%	32.1%	31.5%
High Growth			
Cash	-2.0-2.0%	0.2%	0.3%
Fixed interest	0%	0%	0%
Property	0%	0%	0%
Australian shares	31.0-39.0%	34.9%	35.0%
International shares	61.0-69.0%	64.9%	64.7%
Socially Responsible			
Cash	0-20%	n/a	8.6%
Fixed interest	15-35%	n/a	17.1%
Property	0-10%	n/a	0%
Australian shares	25-45%	n/a	37.8%
International shares	25-45%	n/a	36.5%
Fixed Interest			
Cash	0-5%	n/a	0%
Fixed interest	95-100%	n/a	100%
Property	0%	n/a	0%
Australian shares	0%	n/a	0%
International shares	0%	n/a	0%
Australian Shares			
Cash	0-5%	n/a	0%
Fixed interest	0%	n/a	0%
Property	0%	n/a	0%
Australian shares	95-100%	n/a	100%
International shares	0%	n/a	0%
International Shares			
Cash	0-5%	n/a	0%
Fixed interest	0%	n/a	0%
Property	0%	n/a	0%
Australian shares	0%	n/a	0%
International shares	95-100%	n/a	100%

Defined Benefit account

A QSuper Defined Benefit account provides accrued and insured benefits based on a member's salary, contribution rate, and length of membership. Most new and existing members in Queensland Government employment have the option of transferring to a Defined Benefit account.

	2003/2004	2004/2005
Membership	153,193	148,658
Benefit payments		
Age retirement	2,241	2,924
Death (in service)	97	102
Ill health retirement	571	618
Resignation	2,848	2,715
Retrenchment	320	549
Total:	6,077	6,908
Income protection benefits paid	1,724	1,895
Rollovers to QSuper	2,339	2,486
Members making voluntary contributions to a QSuper Accumulation account	25,616	29,505
Members with additional insurance coverage	5,543	5,361
Income		
Contribution:	\$1,387.2m	\$613.3m
Investment:	\$937.7m	\$1,211.4m
Miscellaneous:	\$0.6m	\$0.5m
Total:	\$2,325.5m	\$1,825.2m
Expenditure	\$814.0m	\$1,613.0m
Balance of accounts	\$7,822.6m	\$8,034.8m
Crediting rate	15.26%	15.38%

Assets	Neutral asset allocation	Actual asset allocation	
		Year ending 30 June 2004	Year ending 30 June 2005
Cash	0%	0.8%	3.2%
Fixed interest	10%	7.3%	6.2%
Property	10%	9.5%	9.6%
Australian shares	37.5%	40.2%	39.6%
International shares	37.5%	42.2%	41.4%
Private equity	5%	0%	0%

State and Police accounts

QSuper State and Police accounts are defined benefit accounts which were closed to new members in 1991 and 1993 respectively. As there are no new entrants into these accounts, membership numbers continue to diminish.

	2003/2004		2004/2005	
Membership	2,211		2,071	
Benefit payments	State	Police	State	Police
Age retirement	87	8	94	7
Death	36	10	31	3
Ill health retirement	3	0	0	2
Resignation	20	8	18	3
Retrenchment	7	2	12	0
Total:	153	28	155	15
Income protection benefits paid	21		33	
Members making voluntary contributions to a QSuper Accumulation account	22		61	
Income	Included in Defined Benefit account			
Expenditure	Included in Defined Benefit account			
Balance of accounts	Included in Defined Benefit account			
Crediting rate	State: R 14.86% P 15.26%	Police: R 14.86% P 15.26%	State: R 14.98% P 15.38%	Police: R 14.98% P 15.38%

R = Resignation P = Preserved

Assets	Neutral asset allocation	Actual asset allocation	
		Year ending 30 June 2004	Year ending 30 June 2005
Cash	0%	0.8%	3.2%
Fixed interest	10%	7.3%	6.2%
Property	10%	9.5%	9.6%
Australian shares	37.5%	40.2%	39.6%
International shares	37.5%	42.2%	41.4%
Private equity	5%	0%	0%

Allocated Pension account

A QSuper Allocated Pension account allows members to invest their QSuper benefit, and other superannuation benefits, to earn a competitive return, while drawing a regular pension. The pension is paid until the member's investment, and earnings, are exhausted.

	2003/2004	2004/2005
Membership	4,371	5,618
New accounts opened	975	1,534
Income		
Contribution:	\$216.0m	\$365.5m
Investment:	\$102.1m	\$156.2m
Total:	\$318.1m	\$521.7m
Expenditure	\$76.4m	\$28.8m
Balance of accounts¹	\$806.5m	\$1,299.4m
Crediting rate as at 30 June		
Cash	5.19%	5.63%
Cash Plus	10.88%	11.27%
Balanced	16.78%	17.34%
High Growth	22.74%	18.48%
Socially Responsible	n/a	1.78%
Fixed Interest	n/a	5.12%
Australian Shares	n/a	7.52%
International Shares	n/a	4.95%
MER²		
Cash	0.37%	0.37%
Cash Plus	0.45%	0.48%
Balanced	0.54%	0.58%
High Growth	0.57%	0.58%
Socially Responsible	n/a	1.02%#
Fixed Interest	n/a	0.50%#
Australian Shares	n/a	0.53%#
International Shares	n/a	0.68%#

¹ These amounts include some reserves held in the Consolidated Fund.

² Management expense ratio (MER) generally the total expenses of the Fund (e.g. investment, management, trusteeship) as a proportion of the Fund's net asset value. These figures are provisional.

* based on partial year as these options were introduced on 1 January 2005.

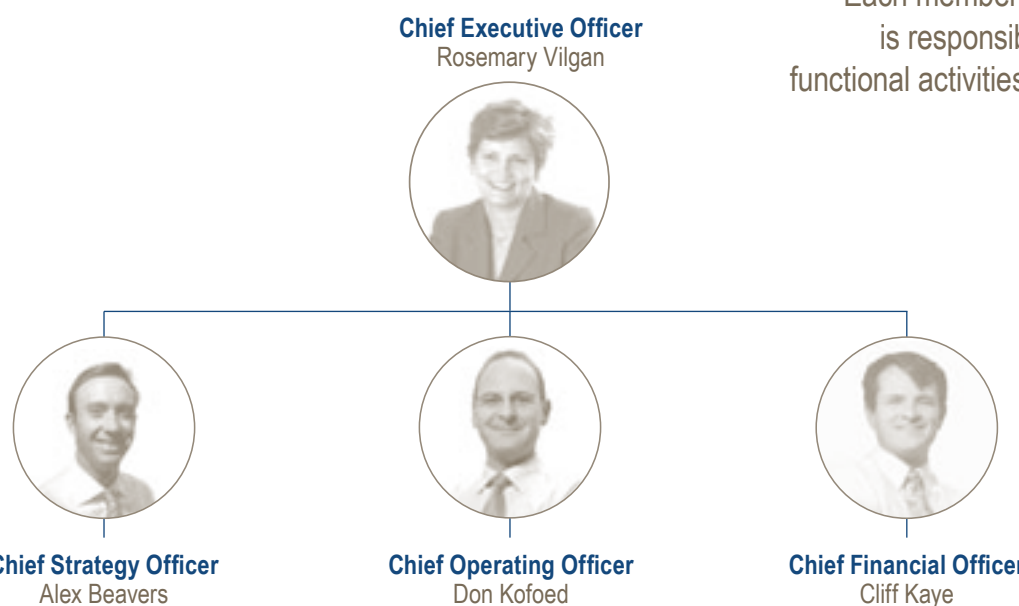
These MERs have been annualised as these options were introduced on 1 January 2005.

Assets	Allocation ranges	Actual asset allocation	Actual asset allocation
	As approved by the QSuper Board of Trustees	Year ending 30 June 2004	Year ending 30 June 2005
Cash			
Cash	100%	100%	100%
Fixed interest	0%	0%	0%
Property	0%	0%	0%
Australian shares	0%	0%	0%
International shares	0%	0%	0%
Cash Plus			
Cash	49.0-64.5%	52.9%	54.7%
Fixed interest	2.5-18.5%	8.7%	8.1%
Property	2.5-8.0%	4.6%	4.0%
Australian shares	14.0-21.0%	17.7%	17.4%
International shares	11.5-19.0%	16.1%	15.8%
Balanced			
Cash	3.0-22.0%	6.2%	9.5%
Fixed interest	5.0-35.0%	17.3%	16.2%
Property	5.0-15.0%	9.1%	8.0%
Australian shares	30.0-40.0%	35.3%	34.8%
International shares	24.0-36.0%	32.1%	31.5%
High Growth			
Cash	-2.0-2.0%	0.2%	0.3%
Fixed interest	0%	0%	0%
Property	0%	0%	0%
Australian shares	31.0-39.0%	34.9%	35.0%
International shares	61.0-69.0%	64.9%	64.7%
Socially Responsible			
Cash	0-20%	n/a	8.6%
Fixed interest	15-35%	n/a	17.1%
Property	0-10%	n/a	0%
Australian shares	25-45%	n/a	37.8%
International shares	25-45%	n/a	36.5%
Fixed Interest			
Cash	0-5%	n/a	0%
Fixed interest	95-100%	n/a	100%
Property	0%	n/a	0%
Australian shares	0%	n/a	0%
International shares	0%	n/a	0%
Australian Shares			
Cash	0-5%	n/a	0%
Fixed interest	0%	n/a	0%
Property	0%	n/a	0%
Australian shares	95-100%	n/a	100%
International shares	0%	n/a	0%
International Shares			
Cash	0-5%	n/a	0%
Fixed interest	0%	n/a	0%
Property	0%	n/a	0%
Australian shares	0%	n/a	0%
International shares	95-100%	n/a	100%

Organisational structure

Overseeing the Government Superannuation Office (GSO) is the Executive Committee, consisting of the Chief Executive Officer, Chief Strategy Officer, Chief Operating Officer, and Chief Financial Officer.

Each member of the Executive is responsible for a group of functional activities and the funds it administers.



The Chief Strategy Officer (CSO) develops and drives the strategic direction of the GSO by formulating and implementing the strategic plan to achieve the directions set by the QSuper Board. The role of the CSO is to provide better knowledge and solid returns to members through guiding policy setting, amending legislation, marketing communications, and leading investment direction. A major role of the CSO is to liaise with and support QSuper partners and stakeholders.

The Chief Operating Officer (COO) leads and promotes real service and better knowledge to members. The role of the COO is to provide a broad range of member contact services, insurance services, and account administration services. The COO also monitors the current operation of service standards to implement improvements where appropriate.

The Chief Financial Officer (CFO) leads, manages, and monitors the financial operations, change programs, and resource management within the GSO for both internal and external stakeholders. This assists in the provision of low fees to members. The role of the CFO includes financial and statutory reporting, budgets and cash flow management, management of Fund reserves, and the maintenance and support of all information systems across the GSO.

- **General Manager Marketing and Development**
Michael Irving
- **General Manager Superannuation Policy**
Lyn Melcer
- **General Manager Investment Services**
Sonya Sawtell-Rickson

- **General Manager Member Services**
Anne Murchison
- **General Manager Operations**
David Wood
- **General Manager Insurance Management**
Barry Cook

- **General Manager Finance**
Peter Lockington
- **General Manager Information Communications and Technology**
Phil Charge
- **Manager Human Resources and Administration**
Donna Wright
- **Manager Business Solutions**
Graham Smith
- **Manager Portfolio Management Office**
Chris Iddon

GSO

financial summary

	('000)
Revenue from ordinary activities	
Administration fees	\$38,694
Interest	\$398
Other revenue	\$175
Total revenue from ordinary activities	\$39,267
Expenses from ordinary activities	
Employee expenses	\$23,893
Financial planning fees	(\$27)
Corporate service fees	\$2,004
Postage and printing	\$2,040
Depreciation and amortisation	\$2,849
Rental expense – operating lease	\$1,577
Consultancy fees	\$1,621
Computer charges and operating costs	\$1,361
Auditors' remuneration	\$353
Other expenses	\$3,561
Total expenses from ordinary activities	\$39,232
Net surplus for the operating period	\$35

For further information refer to the detailed financial statements.

Appendix
to the 2004/2005 Annual report
of the QSuper Board of Trustees
and the Government Superannuation Office

CORPORATE GOVERNANCE

The Board of Trustees of QSuper (QSuper Board) and the management of the Government Superannuation Office (GSO) are committed to high standards of corporate governance. The governance of QSuper is driven by the desire of the QSuper Board to act in good faith, with foresight, and in the best interests of members and their dependants with respect to the investment and administration of funds.

Code of conduct

An established code of conduct guides the ethical and behavioural expectations of the Board. Additionally, Board members are required to act in accordance with the covenants of section 52 of the *Superannuation Industry (Supervision) Act 1993*.

Conflicts of interest

The QSuper Board has procedures in place to identify and resolve any conflicts of interest. Board members must disclose potential conflicts of interests in order to identify and resolve them or be excluded from participating in Board discussions on matters where a potential conflict exists.

Voting

A minimum of seven trustees must vote in favour of a resolution for it to be passed. This is in accordance with the *Superannuation Industry (Supervision) Regulations 1994* and is reflected in the *Superannuation (State Public Sector) Act 1990* (the QSuper Act).

COMPOSITION AND APPOINTMENT OF THE BOARD

Established under the *QSuper Act*, the QSuper Board consists of ten appointed trustees, including the Chairman. Under the *QSuper Act*, an equal number of trustees are appointed to represent the employers and members. The Under Treasurer of Queensland is, ex-officio, Chairman of the QSuper Board, with another four members nominated by the Queensland Government as the employer representatives. The Combined Public Sector Unions' Superannuation Committee provides five nominees to the Treasurer for the member representatives. Trustees serve on the QSuper Board for a term of 3 years, after which they may be reappointed.

Queensland Government nominated representatives

Gerard Bradley, Chairman *B.Com, postgradDipAdvAcc, CPA, FAICD* **Under Treasurer of Queensland**

(Deputy: Tim Spencer – Deputy Under Treasurer of Queensland)

Appointed August 1998.

Experience:

- Employed in the Queensland and South Australian Treasury departments for the past 25 years.
- Director of Queensland Treasury Holdings Pty Ltd.
- Under Secretary of Queensland and Deputy Chair, Queensland Treasury Corporation.

Linda Apelt *MEd, MAICD*

Director-General, Department of Communities and Disability Services Queensland

(Deputy: Wayne Cannon – Queensland State Actuary)

Appointed December 2001.

Experience:

- Former Director-General of the Department of Housing.
- Member of the Board of the Australian Institute of Health and Welfare (AIHW) and Chair of the AIHW Audit and Finance Committee, Adjunct Professor in the Faculty of Social and Behavioural Sciences at the University of Queensland.

Terri Hamilton *LLB, DFP, MAICD*

Managing Director, MAP Funds Management Limited

(Deputy: John Carpendale – Deputy Executive Officer/Manager Operations, LG Super)

Appointed June 2000.

Experience:

- Director of Association of Superannuation Funds of Australia.
- Member of QSuper/GSO Audit and Compliance Committee.

Tony Hawkins *B.Com, DipFinMan, FCPA*

Chief Executive Officer, WorkCover Queensland

(Deputy: John Carpendale – Deputy Executive Officer/Manager Operations, LG Super)

Appointed in December 2001.

Experience:

- CEO of WorkCover Queensland for the past 7 years, 13 years insurance experience with the AXA Group, and 14 years mining experience at CSR.
- Member of the Queensland Workplace Health and Safety Board.
- Member of QSuper/GSO Audit and Compliance Committee and Insurance Management Committee.

Helen Ringrose *MBA, MPublicHlth, FAICD, FAIM*
**Director-General, Department of Tourism, Fair Trading
and Wine Industry Development**

(Deputy: Laurie Longland – Acting Commissioner of Fair Trading)

Appointed in June 2000.

Experience:

- Senior positions with the Brisbane City Council and Victorian State Government.
- Director of City Super Proprietary Limited as the Trustee for City Super.
- Adjunct Professor in the School of Tourism & Leisure Management at the University of Queensland.

Combined Public Sector Unions' Superannuation
Committee Nominated Representatives

Chris Barrett *BLST*
**Assistant General Secretary, Queensland Council
of Unions**

(Deputy: Grace Grace - General Secretary, Queensland Council
of Unions)

Appointed in April 2001.

Experience:

- Full-time union official since 1990.
- Director of Host-Plus Proprietary Limited as Trustee for HostPlus from 1991 to 1995 and in 2000.
- Member of the Open Learning Institute Council for the Department of Employment and Training and the Queensland Heritage Council.

Karen Peut *MAICD*
**Council Delegate Public Sector Union, Queensland
Public Sector Union**

(Deputy: Alex Scott – General Secretary, Queensland Public
Sector Union)

Appointed in May 1985.

Experience:

- Executive Director (Roads Programs), Department of Main Roads, life member of the Queensland Public Sector Union, and delegate of the Combined Public Sector Unions' Superannuation Committee.
- Director of Queensland Motorways Limited.

Garry Ryan
**State President and Southern District Secretary, The
Australian Workers' Union**

(Deputy: Tom Jeffers - Australian Workers' Union)

Appointed in June 2002.

Experience:

- Member of the Australian Workers' Union National Executive and Queensland Branch Executive Committees since 1988.
- Director of AustSafe Proprietary Limited as a Trustee for the AustSafe Superannuation Board.
- Member of the Queensland Workplace Health and Safety Board and Workers Compensation Regulatory Authority (Q-COMP).

Steve Ryan
President, Queensland Teachers' Union

(Deputy: Jeff Backen – Assistant Secretary, Queensland Teachers' Union)

Appointed in June 1994.

Experience:

- Executive Member of the QTU since 1993 and a Senior Officer of the Union since 2000.
- Director of Q Invest Limited.
- Chairman of the QSuper Marketing and Communications Committee.

Gary Wilkinson
General President, Queensland Police Union

(Deputy: Merv Bainbridge – Director, Queensland Police Credit Union)

Appointed in August 1997.

Experience:

- Member of the Board of the Police Federation of Australia.
- General President of the Queensland Police Union of Employees.

Board meetings

The QSuper Board meets on a monthly basis, with 12 meetings held during the 2004/2005 financial year. In addition, the QSuper Board undertakes an annual workshop to review Fund performance. Broadly, the issues the QSuper Board may consider are:

- formulation of strategic and business plans to remain a leader in the provision of superannuation services;
- investment and administrative performance of QSuper, with reference to Fund and industry benchmarks;
- setting of parameters for the ongoing financial considerations of the Fund such as funding levels, interest crediting rates, administration, investment management and financial planning fees, and the meeting of statutory obligations;
- development of strategic marketing plans, and formulation of new products and services to ensure QSuper remains attractive to members in a changing industry environment;
- monitoring of the provision of services to QSuper clients by the GSO;
- delegations of the Board Committees and the GSO Executive in assisting the Board to fulfil their responsibilities;
- setting of policies and guidelines for the administration of members' accounts;
- consideration of appeal cases regarding members' entitlement to benefits; and
- review of reports and presentations from service providers, industry specialists, and professional advisors.

Remuneration of the Board

The QSuper Board is remunerated in accordance with the Department of Industrial Relations Public Sector directive. The directive prescribes the remuneration rates for chairs and members. Remuneration may only be adjusted when:

- the chair is recommended for appointment or reappointment;
- 50% or more members are recommended for appointment or reappointment; or
- special circumstances exist, e.g. there has been a change in function of the Board.

Members of the QSuper Board who are also employees of the Government are not remunerated for their duties as a trustee of the Fund. Details of the directive can be located from: www.psier.qld.gov.au/policies/remunrates.

QSuper administration

The QSuper Board has delegated the operation and administration of QSuper to the Chief Executive Officer and the other executives of the GSO. The QSuper Board has procedures in place to ensure that this team is appropriately qualified and experienced to discharge their responsibilities.

The Secretary to the QSuper Board is the Chief Financial Officer and secretariat services are provided by Superannuation Policy.

The Executive and the GSO have established policies and procedures designed to ensure that the QSuper Board, management, and staff meet high standards of professionalism and integrity and adhere to relevant industry standard and legal

requirements. These include a commitment to providing continuing professional educational opportunities, documenting processes and procedures, and formulating, progressing, and promoting a comprehensive strategic plan.

Board committees

The QSuper Board may establish committees as it considers necessary or appropriate to assist it in carrying out its responsibilities. Each committee has adopted charters setting out the matters relevant to their composition, responsibilities, and administration. While committees have specific membership, all trustees are able to attend where desired. During 2004/2005 the following committees were available to the QSuper Board:

1. QSuper/GSO Audit and Compliance Committee.
2. Marketing and Communication Committee.
3. Insurance Management Committee.
4. Fund Conditions Committee.

QSuper/GSO Audit and Compliance Committee

Members:

Mr Walter Ivessa, Assistant Under Treasurer (Chair)
Ms Terri Hamilton
Mr Chris Barrett

This combined QSuper/GSO Committee aims to ensure that financial controls and systems address key business risks and are of a high standard. It provides assistance to the QSuper Board, the Trustees of the Parliamentary Contributory Superannuation Fund, and the Under Treasurer of Queensland in discharging their governance and oversight responsibilities in relation to financial reporting, internal controls, risk management systems, compliance, and internal and external audit functions. In doing so, it is the responsibility of the Committee to maintain free and open communication between the Committee, external and internal auditors, and the management of the GSO.

The Committee Charter identifies who can become a member, who can attend meetings, member duties, responsibilities, and performance.

During the year the Committee examined the external and internal auditor reports and the adequacy and effectiveness of the accounting, financial, legislative compliance, and quality controls. The Committee also reviewed the annual financial statements of QSuper, the Parliamentary Contributory Superannuation Fund, and the GSO before submission to the responsible entities.

Marketing and Communication Committee

Members:

Mr Steve Ryan (Chair)

Mr Merv Bainbridge (Deputy of Mr Gary Wilkinson)

Ms Helen Ringrose

The Committee reviews marketing strategies and timeframes for their implementation, as well as QSuper member publications.

During the year the Committee facilitated the communication of the new member investment choice options and launched the new product disclosure statements. Following a review of communications, the Committee also implemented segmentation of the membership for the purpose of providing targeted newsletters and reports such as *Super Scoop*, *Financing your future*, and *Your future* information to members.

Insurance Management Committee

Members:

Mr Chris Barrett (Chair)

Mr Merv Bainbridge (Deputy of Mr Gary Wilkinson)

Mr Tony Hawkins

Ms Karen Peut

Mr Garry Ryan

The Committee oversees insured products of QSuper and considers new initiatives and the strategic direction of claims management. It is a forum for discussion on claims management practices, initiatives, and reporting. During the year various amendments to the insurance terms were considered and will soon be introduced.

Fund Conditions Committee

Members:

Ms Karen Peut (Chair)

Ms Helen Ringrose

Mr Steve Ryan

The Committee meets as required to review and develop Fund conditions, and investigate and initiate the development of products and services to meet QSuper member needs. No meetings were held in the 2004/2005 financial year.

Other GSO committees

Chaired by the Chief Executive Officer, the Executive Committee also consists of the Chief Financial Officer, Chief Operational Officer, and Chief Strategy Officer. The Committee is responsible for addressing strategic corporate issues and providing assistance and advice to the Chief Executive Officer and the QSuper Board.

The Operational Review Board, chaired by the Chief Executive Officer, consists of the Executive Committee and the General Managers from each of the business units within the GSO. It is a forum to address operational issues across the GSO, and monitor risk and performance indicators.

The Portfolio Review Board, chaired by the Chief Financial Officer, consists of the Executive Committee, the Manager - Portfolio Management Office, the Manager – Business Solutions, and a representative from the General Manager group. It is responsible for monitoring the GSO's portfolio of projects.

Meeting attendance record

Trustee	Board meetings		QSuper/GSO Audit and Compliance Committee		Marketing and Communications Committee		Insurance Management Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
G. Bradley	12	10	-	-	-	-	-	-
T. Hamilton	12	11	5	3	1	0	1	1
L. Apelt	12	11	-	-	-	-	-	-
H. Ringrose	12	9	-	-	-	-	-	-
T. Hawkins	12	12	5	2	-	-	1	1
S. Ryan	12	11	-	-	1	1	1	1
K. Peut	12	9	-	-	-	-	1	0
C. Barrett	12	10	5	3	-	-	1	1
G. Ryan	12	12	-	-	-	-	1	1
G. Wilkinson*	12	12	-	-	1	1	1	1

* G. Wilkinson's deputy, M. Bainbridge, attends the Board and Committee meetings.

RISK MANAGEMENT FRAMEWORK

With a focus on ensuring that risks are adequately identified, considered, and addressed, the QSuper Risk Management Program (RMP) is a program which is reviewed regularly. The RMP evolves as reviews are completed to ensure that emerging risks are identified and considered as appropriate. Regular reporting on components in the framework are presented to the QSuper/GSO Audit and Compliance Committee and the QSuper Board.

An environment of continuous change presents opportunities as well as risks. The objective of the risk management framework is to manage and control risks relating to QSuper and its operations and to strengthen the ability of the QSuper Board, the QSuper/GSO Audit and Compliance Committee, and the Executive to monitor risks and controls.

The risk management framework is compliant with AS/NZS 4360:2004 risk management standards based on the three main principles of:

- understanding and valuing risks;
- aligning risk management with the corporate governance structure; and
- implementing and operating a risk monitoring system.

The RMP consists of the following four review systems:

1. Internal risk management program.
2. Compliance management program.
3. Internal audit program.
4. External audit.

1. Internal risk management program - QSuper

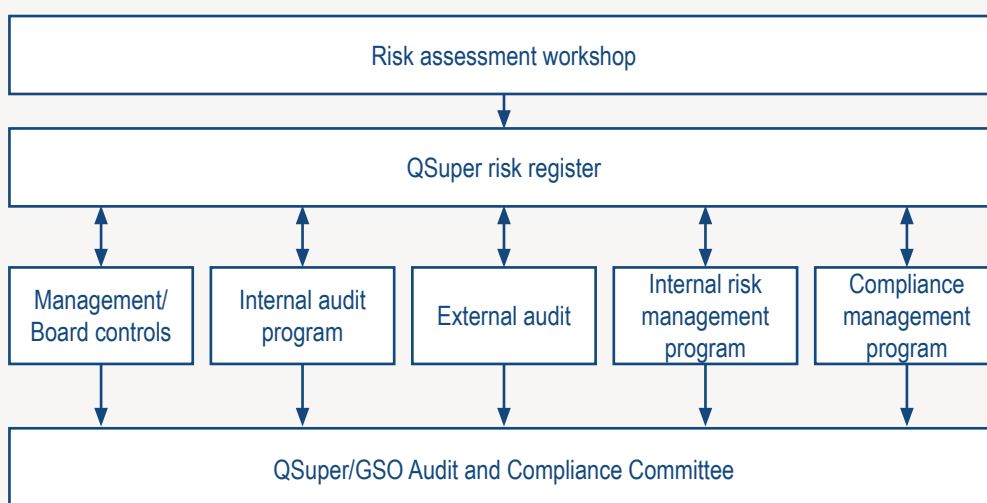
The QSuper internal risk management program entails regular monitoring of major risks identified in a risk register. Using contemporary risk assessment processes the risk is identified and then placed on a schedule for monitoring of progress towards minimisation or elimination. The main categories of risks identified within the register are governance, investment, Fund design, product design, operational, outsourcing, and compliance. The register reflects the outcomes of a risk assessment workshop held in June 2005 involving senior managers.

A process of regular reviews ensures emerging risks are identified and considered as appropriate. The plan includes a certification by each Executive that controls are operating in their areas of responsibility. This method has increased rigor to the internal processes and procedures of the GSO.

A range of reviews were conducted during 2004/2005 including: investments, claims, complaints, contributions, death and disability benefits, exit reporting, family law, financial services reform, government co-contributions, lost members, quotes, reasonable benefit limits, superannuation surcharge, and taxation.

2. Compliance management program - QSuper

The QSuper/GSO Audit and Compliance Committee receive quarterly reports on the progress of the compliance management program. Incorporating contemporary industry audit practices, the program reviews all aspects of operations, and is regularly updated to include recent changes to legislation. The program has reviewed trustee responsibilities, governing rules, disclosure, administration, family law, investments, taxation, financial services reform, record keeping, financial management, electronic commerce, business continuity plans, privacy, and procedure manuals.



The legislative requirements include a Risk Management Strategy (RMS) relating to Trustee-specific risks and a Risk Management Plan (RMP) relating to the Fund specific risks. The two documents may be combined where the trustee has no other function than the management of a single fund (*Superannuation Industry (Supervision) Act 1993*).

3. Internal audit program — KPMG

The appointed internal auditor is KPMG. The internal audit plan was developed using the results of the risk assessment workshop and focuses on core business processes. The objective of the internal audit function performed by KPMG is to provide innovative, responsive, effective, and value-added reviews, by assessing the management of significant business risks.

During 2004/2005, audits were conducted in the following areas:

1. member benefit statements;
2. contributions;
3. claims and benefits;
4. cash flow management;
5. pensions;
6. finance;
7. human resource administration; and
8. critical new projects.

The recommendations of the auditors have been, or are being, implemented, thereby improving the quality of information and services to members.

4. External Audit - Queensland Audit Office (QAO)

The external auditor, QAO, performs an important role in the monitoring and review of the RMP. The QAO also reviews the work of KPMG and the GSO's Internal Risk Manager. The QAO, as a result of testing, will form an opinion as to the extent to which they can rely on the work of the internal auditor and risk manager, so duplication is minimised as far as possible.

Fraud and ethics

The approach to fraud prevention and corruption control is outlined in the *Fraud and Corruption Control Policy*. The policy has been developed in accordance with AS8001 "Fraud and Corruption Control" and provides practical guidance in:

- setting anti-fraud and anti-corruption practices;
- establishing accountability structures within the fund;
- ongoing monitoring, improvement and awareness training of employees on fraud and corruption control; and
- reporting and investigating fraud and corruption (fraud) risks.

QSuper maintains a healthy and sustainable ethical culture through a process of open communication, benchmarking, training, and continuous monitoring. Where employees have concerns with ethical or fraudulent issues they are encouraged to report these to the Ethics and Fraud Control Officer.

Corporate policies

Privacy

QSuper is committed to the responsible and transparent collection, storage, and management of member and stakeholder information. QSuper complies with the 11 Information Privacy Principles (IPPs) as detailed in the QSuper privacy management plan. This plan is available by contacting QSuper or the QSuper website www.qsuper.qld.gov.au.

QSuper may disclose personal information to third parties if disclosure is necessary to provide products and services, and where consent to the disclosure is obtained, or where the law requires disclosure. QSuper members have access to retirement planning services from Q Invest Limited, an organisation jointly owned by the QSuper Board and QIC.

Freedom of information

Members have a right of access and amendment to their personal information held by QSuper, as provided by the *Freedom of Information Act 1992 (Qld)*. Requests for personal information are free, and are normally handled within 14 days.

Any member of the community can lodge requests. This may include individuals, media, solicitors, union representatives, and politicians. Requests for information may be made in two ways:

- i) A request for personal information relating to your superannuation membership can be handled under QSuper's administrative release process. The application must be made in writing and be signed by the individual requesting their personal information.
- ii) Other requests are managed under the FOI Act by completing a *Queensland Treasury FOI application form*, or writing a letter requesting the information.

Requests for personal information do not attract a fee. Other kinds of requests generally attract a fee of \$34.40. Requests for personal information under QSuper's administrative release scheme can be addressed to:

Administrative release of information
QSuper

GPO Box 200
BRISBANE QLD 4001

Ph: 1300 360 750

All other information requests should be sent to:

The Freedom of Information Unit
Queensland Treasury
GPO Box 611
BRISBANE QLD 4001

Ph: (07) 3224 4171

Requests for personal information under QSuper's administrative release scheme are generally handled within 14 days. For requests lodged under the *FOI Act*, applications must be officially acknowledged within 14 days of receipt, and completed within 45 days of receipt. For nonpersonal requests where **all the information** requested was produced **prior to 19 November 1987**, or where consultation needs to be undertaken with third parties, the *FOI Act* provides for the requests to be completed within 60 days.

Whistleblowers

Under the *Crime and Misconduct Act 2001*, "official misconduct" is conduct that could, if proved, be -

- a) a criminal offence; or
- b) a disciplinary breach providing reasonable grounds for terminating the person's services, if the person is or was the holder of an appointment.

In such instances, protection is available for any person making a public interest disclosure under the *Whistleblowers Protection Act 1994*. Guidelines for the *Protection of Whistleblowers and the Investigation of Public Interest Disclosures* are available to employees.

Major service providers

Administrator

Government Superannuation Office
Queensland Treasury
81 George Street
BRISBANE QLD 4000

Investment Manager and Investment Consultant

QIC
Level 6, Central Plaza Two
66 Eagle Street
BRISBANE QLD 4000

Financial Planning

Q Invest Limited
Level 8, Central Plaza Two
66 Eagle Street
BRISBANE QLD 4000

Internal Auditor

KPMG
Central Plaza One
345 Queen Street
BRISBANE QLD 4000

External Auditor

Queensland Audit Office
Central Plaza One
345 Queen Street
BRISBANE QLD 4000

Actuary

State Actuary
33 Charlotte Street
BRISBANE QLD 4000

Investment Consultant

Watson Wyatt Australia Pty Limited
Level 4
1 Collins Street
MELBOURNE VIC 3000

General purpose financial statements

State Public Sector Superannuation Fund
for the year ended 30 June 2005

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State Public Sector Superannuation Fund

Statement of net assets

for the year ended 30 June 2005

	Notes	2005 \$'000	2004 \$'000
ASSETS			
Cash	1(b)	10,144	7,470
Receivables			
Employer contributions receivable	1(c), 1(k)	7,413	3,004
Member contributions receivable	1(c), 1(k)	586	1,070
GST receivable	1(c), 1(d)	320	325
Interest receivable	1(c)	185	161
Sundry receivables and prepayments	1(c)	2,239	1,487
		10,743	6,047
Investments			
Investments in unit trusts - QIC	1(e), 3	15,974,350	13,060,676
Investment in Q Invest Limited	1(e), 4	2,300	2,300
		15,976,650	13,062,976
TOTAL ASSETS		15,997,537	13,076,493
LIABILITIES			
Payables			
Benefits payable	1(f)	7,723	11,557
Administration and investment management fees payable	1(g), 13	6,736	4,758
Sundry payables	1(g)	697	532
		15,156	16,847
Tax liabilities			
Current tax liabilities	1(h)	55,126	24,676
Provision for deferred income tax	1(h)	1,140	475
Provision for superannuation contributions surcharge	1(i)	66,850	53,379
		123,116	78,530
TOTAL LIABILITIES		138,272	95,377
NET ASSETS AVAILABLE TO PAY BENEFITS		15,859,265	12,981,116
Represented by:			
Reserves	7	324,993	225,107
Accumulated funds	8	15,534,272	12,756,009
NET ASSETS AVAILABLE TO PAY BENEFITS		15,859,265	12,981,116

The statement of net assets should be read in conjunction with the accompanying notes.

State Public Sector Superannuation Fund

Statement of changes in net assets for the year ended 30 June 2005

	Notes	2005 \$'000	2004 \$'000
NET ASSETS AVAILABLE TO PAY BENEFITS			
At the beginning of the financial year			
		12,981,116	9,730,156
Investment revenue			
Distribution from unit trusts	1(k), 3	2,144,142	1,839,524
Change in net market value of investments	1(k), 9	116,879	86,648
Investment management fees	13(e)	(23,892)	(21,491)
Interest revenue	1(k)	819	673
		2,237,948	1,905,354
Contribution revenue			
Employer contributions	1(k), 10	940,182	1,618,541
Member contributions	1(k), 11	666,755	511,197
Transfers from other funds	1(k)	285,129	216,409
		1,892,066	2,346,147
Other revenue			
Insurance recoveries	1(k)	384	288
Sundry revenue	1(k)	539	564
		923	852
Total revenue from ordinary activities			
		4,130,937	4,252,353
Less:			
Benefits paid			
		1,060,257	884,295
General administration expenses			
Administration fee	13(c)	39,608	36,866
Financial planning fee	13(d)	8,971	7,437
Superannuation contributions surcharge	1(i)	17,437	15,464
Insurance premiums		1,503	1,363
		67,519	61,130
Total expenses from ordinary activities			
		1,127,776	945,425
Change in net assets before income tax			
		3,003,161	3,306,928
Income tax expense	12	125,012	55,968
Total change in net assets after income tax			
		2,878,149	3,250,960
NET ASSETS AVAILABLE TO PAY BENEFITS			
At the end of the financial year			
		15,859,265	12,981,116

The statement of changes in net assets should be read in conjunction with the accompanying notes.

State Public Sector Superannuation Fund

Notes to the financial statements for the year ended 30 June 2005

Note 1 Significant accounting policies

(a) Basis of accounting

General

These financial statements are a general purpose financial report which has been prepared in accordance with the provisions of the *Superannuation (State Public Sector) Act 1990*, Australian Accounting Standard AAS 25 "Financial Reporting by Superannuation Plans", other applicable Australian Accounting Standards, and authoritative pronouncements of the Australian Accounting Standards Board and Urgent Issues Group (UIG) Consensus Views.

These financial statements have been prepared on an accrual and going concern basis under the historical cost convention, except where specifically stated.

Accounting policies

Unless otherwise stated, all accounting policies applied are consistent with those of the prior year. Comparative information is reclassified where appropriate to enhance comparability.

Rounding

Unless otherwise stated, amounts have been rounded to the nearest thousand dollars.

(b) Cash

Cash represents cash at bank.

(c) Receivables

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

(d) Goods and services tax (GST)

Where applicable, GST incurred by the Fund that is not recoverable from the Australian Taxation Office has been recognised as part of the expense to which it applies. Receivables and payables are stated with any applicable GST included in the value. The amount of any GST receivable from, or payable to, the Australian Taxation Office is included as a receivable or payable in the statement of net assets.

(e) Investments

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

The Fund holds the majority of its investments in unit trusts, which are recorded at net market value (refer Note 3). Under net market value, the investments are recorded at financial market prices less an allowance for costs expected to be incurred in realising the investments. Net fair value of the investments are considered to be equal to net market value.

The Fund also has a 50% interest in Q Invest Limited (refer Note 4) which is recorded at net fair value.

(f) Benefits payable

Benefits payable by the Fund are accounted for on an accrual basis. Benefits payable comprise the entitlements of members who have made a claim and, at year end, are awaiting payment under the terms and conditions of the *Superannuation (State Public Sector) Deed 1990* and the *Superannuation (State Public Sector) Act 1990*.

Notes to the financial statements for the year ended 30 June 2005

Note 1 Significant accounting policies (continued)

(g) Payables

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

(h) Taxation

The Fund is an exempt public sector superannuation scheme and as such is deemed to be a complying fund within the provisions of the *Income Tax Assessment Act 1936 (Cwlth)*. Accordingly, the concessional rate of 15% has been applied.

Tax-effect accounting in accordance with the provisions of Australian Accounting Standard AAS 3 "Income Taxes" has been adopted (refer Note 12). Income tax expense is calculated on the accounting profit after allowing for permanent differences. To the extent timing differences occur between the time items are recognised in the financial statements and when items are taken into account in determining taxable income, the net realised taxation benefit or liability is disclosed as a future income tax benefit or a provision for deferred income tax. The future income tax benefit relating to timing differences is not carried forward as an asset unless the benefit is beyond reasonable doubt of being realised.

The provision for deferred income tax would be expected to be settled 12 months or more from the reporting date as it relates to investments which are maintained for a long-term objective.

(i) Superannuation contributions surcharge

Superannuation contributions surcharge is levied on surchargeable contributions on the basis of individual members' adjusted taxable income. The liability for the superannuation contributions surcharge is recognised when the assessment is received from the Australian Taxation Office as the Board considers this is when it can be reliably measured.

A liability has been recognised in the financial statements for the amount of surcharge assessments received but not paid, together with interest accrued on this amount.

(j) Liability for accrued benefits

Defined Benefit account

The liability for defined benefit accrued benefits is actuarially measured on at least a triennial basis. This liability represents the Fund's obligation to pay benefits in the future, and is determined on the basis of the present value of expected future payments which arise from membership of the scheme up to the measurement date. The figure is determined by reference to expected future salary levels and by application of a market-based, risk-adjusted discount rate and relevant actuarial assumptions (refer Note 5).

Accumulation account

The liability for accumulation accrued benefits represents the Fund'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 the Fund as at the reporting date.

Notes to the financial statements for the year ended 30 June 2005

Note 1 Significant accounting policies (continued)

(k) Revenue

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

- Distribution income is accounted for on an accrual basis. Distribution income is recognised when the Fund becomes presently entitled to the trust income;
- Changes in net market value of assets are recognised in the periods in which they occur. The changes in net market value include both realised and unrealised movements, net of the allowance for costs expected to be incurred in realising the investments;
- Employer and member contributions are brought to account as received. At year end an accrual is recognised for any contributions which relate to whole pay periods ending prior to 30 June but which are received after year end;
- Transfers from other funds and insurance recoveries are brought to account when received; and
- Interest income and sundry revenue is accounted for on an accrual basis.

(l) Impact of adopting Australian equivalent of International Financial Reporting Standards

The Fund has commenced transitioning its accounting policies and financial reporting from current Australian Standards to Australian equivalent of International Financial Reporting Standards (AIFRS) which will be applicable for the financial year ending 30 June 2006. An AIFRS working group has been established to identify key areas that will be affected by the transition to AIFRS.

As at 30 June 2005, the working group has progressively reviewed all AIFRS released by the Australian Accounting Standards Board, assessed and addressed each of the areas in order of priority, and reported potential impacts and conclusions to management on a regular basis.

Adoption of AIFRS requires the preparation of an opening statement of net assets in accordance with AIFRS as at 1 July 2004, the Fund's transition date to AIFRS. This will form the basis of accounting for AIFRS in the future, and is required when the Fund prepares its first fully compliant financial report for the year ending 30 June 2006 for the purposes of disclosing prior year comparatives.

On adoption of AIFRS, the main change is expected to be in relation to tax effect accounting. Set out below are an estimate of the quantitative impact of these changes:

- \$78,100,000 being recognised as a reduction to the balance of accumulated funds on 1 July 2004, with a corresponding increase to the deferred tax liability (previously provision for deferred income tax); and
- \$35,700,000 being recognised as an additional income tax expense for the 2005 year as a result of a change to the tax effect accounting methodology.

These dollar values of the impact represent best estimates at the time of this report for the following reasons: (a) ongoing work undertaken; (b) potential amendments to AIFRS and Interpretations thereof being issued by the standard setters and International Financial Reporting Interpretation Council; and (c) emerging accepted practice in the interpretation and application of AIFRS and UIG Interpretations.

State Public Sector Superannuation Fund

Notes to the financial statements

for the year ended 30 June 2005

Note 2 Operation of the Fund

The Fund has been established by the *Superannuation (State Public Sector) Act 1990* to provide benefits for Queensland Public Sector employees and employees of Queensland Government entities, such as statutory authorities and government owned enterprises. The Fund consists of both Defined Benefit and Accumulation accounts.

The Fund receives all member superannuation contributions. The Fund also receives employer contributions through a mixture of regular employer contributions and payments from the Consolidated Fund (refer Note 11). Contribution rates in relation to the Fund's defined benefit funding are determined by the Treasurer on the advice of the State Actuary. The funding arrangements are explained in Note 11.

The Fund is administered by the Government Superannuation Office, a portfolio office of Queensland Treasury.

Note 3 Investment in unit trusts

	Note	2005 \$'000	2004 \$'000
Queensland Investment Trust (QIT) No. 1	(i)	8,316,294	5,091,753
Queensland Investment Trust (QIT) No. 2	(ii)	7,058,966	5,729,624
QIC Property Fund	(iii)	597,599	1,200,099
QIC Cash Fund	(iii)	1,491	50,160
QIC Cash Enhanced Fund No. 2	(i), (iv)	-	623,636
QIC High Growth Fund	(i), (iv)	-	365,404
Investments in unit trusts – QIC		15,974,350	13,060,676

- (i) Funds held in relation to Allocated Pension and Accumulation account members.
- (ii) Funds held in relation to Defined Benefit members only.
- (iii) Funds held in relation to Accumulation, Defined Benefit and Allocated Pension members.
- (iv) Funds held in these unit trusts were transferred to QIT No. 1.

Investments held with QIC

The QSuper Board of Trustees determines the investment objectives and strategy of the Fund. QIC is the lead fund investment manager and is responsible for implementing the investment strategy. QIC provides regular reports on the Fund's investments to the Board.

The Trustees restructured investments during the 2005 financial year resulting in a transfer from the QIC Cash Enhanced Fund No. 2 and QIC High Growth Fund into the QIT No. 1.

State Public Sector Superannuation Fund

Notes to the financial statements

for the year ended 30 June 2005

Note 3 Investment in unit trusts (continued)

The QSuper Board of Trustees has authorised QIC's use of other specialist investment managers. This approach recognises the diversification advantages of employing a range of select investment specialists. The majority of investment managers utilised are listed below:

International shares

Arnhold & S. Bleichroeder Advisers, LLC (USA)
AXA Rosenberg Investment Management Ltd (Europe)
Barclays Global Investors Australia Ltd (USA)
Fidelity International Ltd (Europe)
Fiduciary Asset Management, LLC (USA)
GMO Australia Limited (Country Allocation Overlay)
Goldman Sachs JBWere Investment Management Pty Ltd (Japan)
Legg Mason Asset Management (Asia) Pte Ltd
Legg Mason Capital Management, Inc (USA)
New Star Institutional Managers Ltd (Japan)
Oechsle International Advisors LLC (Europe)
T. Rowe Price Global Investors Australia Limited (USA)

Domestic shares

Alpha Investment Management Pty Ltd
Macquarie Investment Management Ltd
Maple-Brown Abbott Ltd
Perennial Value Management Ltd
Portfolio Partners Ltd
Schroder Investment Management Australia Ltd
WestLB Asset Management (Australia) Pty Ltd

Global fixed interest

BlackRock Financial Management Inc. (USA)
Loomis, Sayles & Company, L. P. (Global)
PIMCO Australia Pty Ltd (Australia)
Rogge Global Partners PLC (Europe)
Western Asset Management Company Ltd (Europe)

Global macro

Barclays Global Investors Australia Limited
Bridgewater Associates Inc (USA)
Deutsche Asset Management (Australia) Ltd
Goldman Sachs Asset Management (USA)
JP Morgan Asset Management

Socially responsible

AMP Capital Investors Limited

Note 4 Investment in Q Invest Limited (Q•Invest)

The Fund holds a 50% interest in Q•Invest. Q•Invest's principal activities consist of acting as a licensed dealer in securities, providing financial planning advice and acting as responsible entity for the Q•Invest Investment Access Funds. The reporting value of the investment as at 30 June 2005 approximates net fair value.

Notes to the financial statements for the year ended 30 June 2005

Note 5 Liability for accrued benefits

The last actuarial review of the Fund was conducted as at 30 June 2004 by the State Actuary, Mr W H Cannon BSc (Hons) FIAA. The value of accrued benefits as at that date was \$24,496,400,000. A summary of the most recent actuarial report prepared for the Fund 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 the Fund as at that date.

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 the Fund's funding arrangements. Further details are provided in Note 11.

The next actuarial review of the Fund will be performed as at 30 June 2007. The results of this review will be reported in the 30 June 2008 financial statements.

Note 6 Vested benefits

Vested benefits are benefits that are not conditional upon continued membership of the Fund (or any factor other than resignation from the scheme) and include benefits which members were entitled to receive had they terminated their Fund membership as at the reporting date.

	2005 \$'000	2004 \$'000
Vested benefits	29,674,200	26,184,200

The difference between net assets available to pay benefits and the value of vested benefits as at reporting date is explained by the Fund's funding arrangements (refer Note 11).

The value of vested benefits as at 30 June 2004 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 the changes in the actuarial assumptions underlying the value of the vested benefits in accordance with the most recent actuarial valuation of the Fund. The value of the vested benefits reported in the prior year was \$25,980,462,000.

Note 7 Reserves

	Balance at beginning of financial year \$'000	Transfers to/(from) reserve \$'000	Balance at end of financial year \$'000
General	160,059	56,441	216,500
Investment fluctuation	(657)	10,521	9,864
Insurance	65,705	32,924	98,629
Reserves	225,107	99,886	324,993

General reserve – this reserve is used to fund tax and general administrative expenses.

Investment fluctuation reserve – this reserve is held to absorb investment variations which may be caused by the delay between when member funds are received or an investment switch is requested by a member, and when the transaction is processed and allocated to the member's selected investment option.

Insurance reserve – the Fund provides death, disability, and income protection benefits to members. These benefits are greater than the members' vested benefit. This reserve holds insurance premiums collected from members to meet these Fund expenses. The premium rates are reviewed by the State Actuary and set by the Board.

State Public Sector Superannuation Fund

Notes to the financial statements

for the year ended 30 June 2005

Note 8 Accumulated funds

	2005 \$'000	2004 \$'000
Balance at the beginning of financial year	12,756,009	9,598,603
Total change in net assets after income tax	2,878,149	3,250,960
Transfers (to)/from reserves	(99,886)	(93,554)
Balance at end of financial year	15,534,272	12,756,009
Represented by:		
Accumulated member funds	14,763,101	11,722,918
Accumulated employer funds	771,171	1,033,091
Accumulated funds	15,534,272	12,756,009

Note 9 Change in net market value of investments

The change in net market value of investments comprises net realised and unrealised changes in the value of investments in unit trusts.

	2005 \$'000	2004 \$'000
Change in net market value of investments	116,879	86,648

Note 10 Employer contributions

	Note	2005 \$'000	2004 \$'000
<i>Accumulation account</i>			
Employer contributions		558,283	462,197
<i>Defined Benefit account</i>			
Employer contributions – salary sacrifice		215,231	179,505
Employer contributions – Consolidated Fund	(i)	166,668	976,839
		381,899	1,156,344
Employer contributions		940,182	1,618,541

Employer salary sacrifice contributions in the defined benefit account represent standard contributions members have chosen to salary sacrifice. Salary sacrificed contributions are classified as employer contributions. Refer Note 11 for further details in relation to employer contribution funding arrangements.

(i) Contributions received from the Treasurer out of the Consolidated Fund.

State Public Sector Superannuation Fund

Notes to the financial statements for the year ended 30 June 2005

Note 11 Funding arrangements

Defined Benefit arrangement

Standard members' contributions are made to the State Public Sector Superannuation Fund at a rate ranging from 2% to 9% (2004 - 2% to 9%) of members' salaries.

Employing authorities are required to remit employer contributions to the Queensland Treasury. These contributions are accumulated in a reserve in the Consolidated Fund, which is maintained to finance the State's future liability for the employer component of all benefits. The Treasurer, on advice from the State Actuary, determines the rate of employer contribution into the Consolidated Fund.

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

Funding from the Consolidated 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 Act allows the transfer of amounts from the Consolidated Fund to the State Public Sector Superannuation Fund in circumstances and at times other than funding the immediate payment of benefits. No transfer of this nature occurred during the 2005 financial year (2004 - \$450 million).

Accumulation arrangement

Where members have chosen an accumulation style benefit, all member and employer contributions are paid to the Fund other than where a member transfers from the Defined Benefit account. In this instance, the benefit arising in relation to the Defined Benefit membership remains under the abovementioned last minute funding arrangement. Employer contributions to the Fund for members who do not contribute are at a rate ranging from 3% to 9% (2004 - 3% to 9%) of members' salaries.

Accumulation account members, who make their own member contributions at a rate ranging from 2% to 6%, receive employer contributions at a rate ranging from 9.75% to 12.75%. Non core employers may choose to enter into special arrangements that may differ from these standard arrangements.

State Public Sector Superannuation Fund

Notes to the financial statements for the year ended 30 June 2005

Note 12 Income tax expense

	2005 \$'000	2004 \$'000
Increase in net assets before income tax	3,003,161	3,306,928
Prima facie tax thereon at 15%	450,474	496,039
<i>Tax effect of permanent differences:</i>		
Benefits paid	159,039	132,644
Difference between accounting and taxation treatment of return on investments	(221,732)	(199,913)
Members' contributions	(98,504)	(75,617)
Transfers from other superannuation schemes	(41,451)	(31,330)
Pre-1 July 1988 funding credit	-	(160,833)
Notional premium for death or disability cover	(33,750)	(30,750)
Net imputation and foreign tax credits	(79,876)	(64,725)
Other permanent differences	(8,119)	(6,261)
	126,081	59,254
Over provision for taxation – prior years	(1,069)	(3,286)
Income tax expense	125,012	55,968

Note 13 Related parties

(a) Trustees

The Trustees of the Fund as at 30 June 2005 were:

<i>Member representatives</i>	<i>Employer representatives</i>
Chris Barrett	Gerard Bradley
Karen Peut	Terri Hamilton
Steve Ryan	Linda Apelt
Garry Ryan	Helen Ringrose
Gary Wilkinson	Tony Hawkins

Any Trustee who is a member of the Fund contributes to the Fund on the same terms and conditions as other members.

Fees for attendance at Trustee meetings are paid to non-Queensland Government employees personally or to their employing organisations. This fee is set by Cabinet.

(b) Employer sponsor

Employer funding arrangements are discussed in Note 11.

State Public Sector Superannuation Fund

Notes to the financial statements for the year ended 30 June 2005

Note 13 Related parties (continued)

(c) Government Superannuation Office (GSO)

The GSO provides fund administration services to the Fund in accordance with the *Superannuation (State Public Sector) Act 1990* and is paid an administration fee for providing these services. The fee covers all administration costs including superannuation administration, audit, actuarial fees, legal fees, and medical costs. Administration fees paid to the GSO for the period totalled \$39,608,000 (2004 - \$36,866,000).

(d) Q Invest Limited (Q•Invest)

The Fund has a 50% ownership interest in Q•Invest. Q•Invest provides financial planning advice to Fund members. Previously, the Fund's administrator (GSO) paid Q•Invest financial planning fees under normal commercial terms in relation to these services. From 1 July 2004, the financial planning fees are paid directly by the Fund. Fees paid to Q•Invest for the period totalled \$8,971,000 (2004 - \$7,437,000).

Q•Invest also acts as responsible entity for the Q•Invest Investment Access Funds in which Fund members may invest.

(e) QIC

QIC is the Fund investment manager. It is a body corporate established under the *Queensland Investment Corporation Act 1991*. QIC holds the remaining 50% interest in Q Invest Limited.

Fees paid to QIC for the period totalled \$23,892,000 (2004 - \$21,491,000).

(f) Related party Fund members

Any employee of a related party who is also a Fund member contributes to the Fund on the same terms and conditions as other members.

Note 14 Financial instruments

(a) General

The Board seeks information and advice from QIC on the performance of the individual asset classes of the Fund (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 the Fund. This includes receipt of a formal Risk Management Statement from QIC.

The Fund, via its investment in the QIC vehicle, has investments in a variety of financial instruments, including derivatives, which expose the Fund's investments to a variety of investment risks, including market risk, credit risk, interest rate risk, and currency risk.

(b) Credit risk

The net market value of financial assets included in the statement of net assets represents the Fund's exposure to credit risk in relation to those assets.

State Public Sector Superannuation Fund

Notes to the financial statements

for the year ended 30 June 2005

Note 14 Financial instruments (continued)

(c) Interest rate risk

The Fund is exposed to interest rate risk through cash held in the bank account.

The Fund's investment manager invests in financial assets that are subject to interest rate risk. The returns on investment will fluctuate in accordance with movements in market interest rates.

(d) Net fair value

The Fund's financial assets are included in the statement of net assets at net market value amounts that approximate net fair value. The methods of determining net market value are described in Note 1.

Note 15 Capital guarantee

The Fund has 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 up to 30 June 2005 are \$9,647,000 (2004 - \$9,188,000).

Note 16 Insurance

Eligible employees of a small number of employers are covered by external insurance arrangements, whilst the majority of the Fund members have their insurance provided by the Fund on a self-insurance basis. Refer Note 7.

Note 17 Segment information

The Fund operates solely in the business of provision of benefits to members and operates in Australia only.

Note 18 Commitments and contingent liabilities

The Fund has no known material commitments or contingent liabilities as at 30 June 2005.

Note 19 Post balance date events

There were no known material events which occurred subsequent to balance date.

State Public Sector Superannuation Fund

Statement of the Board of Trustees of the State Public Sector Superannuation Fund for the year ended 30 June 2005

In the opinion of the Board of Trustees of the State Public Sector Superannuation Fund:

1. the accompanying financial statements of the State Public Sector Superannuation Fund are properly drawn up so as to present a true and fair view of the net assets of the Fund as at 30 June 2005 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* 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 the Fund and the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
4. the Fund has been conducted in accordance with its constituent Trust Deed dated 1990 and the requirements of the *Superannuation (State Public Sector) Act 1990*.



G P Bradley
Chairman



W Ivessa
Assistant Under Treasurer
Chairman of the Audit and
Compliance Committee



R A Vilgan
Executive Officer

Brisbane
29 September 2005

State Public Sector Superannuation Fund

Independent audit report

to the Board of Trustees and Members of the State Public Sector Superannuation Fund

Matters relating to the electronic presentation of the audited financial statements

The audit report relates to the financial report of the State Public Sector Superannuation Fund for the financial year ended 30 June 2005 included on the State Public Sector Superannuation Fund's web site. The Board of Trustees is responsible for the integrity of the State Public Sector Superannuation Fund's web site. We have not been engaged to report on the integrity of the State Public Sector Superannuation Fund's web site. The audit report refers only to the financial report named below. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report, available from the State Public Sector Superannuation Fund, to confirm the information included in the audited financial report presented on this web site.

These matters also relate to the presentation of the audited financial report in other electronic media including CD Rom.

Scope

The financial report

The financial report of the State Public Sector Superannuation Fund consists of the statement of net assets, statement of changes in net assets, and notes to and forming part of the financial report and certificates given by the Chairman of the Board of Trustees, Chairman of the Audit and Compliance Committee, and the Executive Officer of the State Public Sector Superannuation Fund, for the year ended 30 June 2005.

The Trustees' responsibility

The Trustees are responsible for the preparation and true and fair presentation of the financial report, the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

As required by law, an independent audit was conducted in accordance with QAO Auditing Standards to enable me to provide an independent opinion whether in all material respects the financial report is presented fairly, in accordance with the prescribed requirements, including any mandatory financial reporting requirements as approved by the Treasurer for application in Queensland.

Audit procedures included -

- examining information on a test/sample basis to provide evidence supporting the amounts and disclosures in the financial report;
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Trustees;
- obtaining written confirmation regarding the material representations made in conjunction with the audit; and
- reviewing the overall presentation of information in the financial report.

Independence

The *Financial Administration and Audit Act 1977* promotes the independence of the Auditor-General and QAO authorised auditors.

The Auditor-General is the auditor of all 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 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.

Audit Opinion

In my opinion the financial report presents fairly the net assets of the Fund as at 30 June 2005 and the changes in net assets for the year ended 30 June 2005 in accordance with prescribed accounting standards and other mandatory professional reporting requirements in Australia and the provisions of the *Superannuation (State Public Sector) Act 1990*.



G G POOLE FCPA
Auditor-General of Queensland

Queensland Audit Office
Brisbane

30 September 2005

Appendix
to the financial statements
State Public Sector Superannuation Fund
for the year ended 30 June 2005

Summary report on the actuarial investigation of the State Public Sector Superannuation Scheme as at 30 June 2004

The latest actuarial investigation of the State Public Sector Superannuation Scheme (QSuper) was conducted as at 30 June 2004 by the State Actuary Mr W H Cannon BSc (Hons) FIAA ASIA. Given below is a summary of the main findings of the investigation.

Financial condition

This investigation has revealed that QSuper is in a healthy position with a surplus of assets over accrued liabilities of \$1,838 million, which represents an increase of \$588 million from the surplus at the 2001 investigation. The main factors causing this increase have been the lower than expected salary inflation, the higher than assumed investment returns and interest on the previous surplus.

In the light of the available surplus the Actuary has considered the funding implications of maintaining the current employer contribution rates (i.e. those listed in table 1). This investigation has revealed that these contribution rates will not jeopardise the solvency position of the fund and therefore the Actuary has supported their retention.

Table 1 – Current employer contribution rates by category

Category	Current employer contribution rate
DB standard	7.75% of salary + 1.00 x member contributions
State category	4.75% of salary + 1.00 x member contributions
DB police	6.00% of salary + 2.00 x member contributions
Police category	3.00% of salary + 2.00 x member contributions
DB fires	12% of salary

The Actuary has certified that the expected liabilities of the scheme should be adequately provided for by the assets of the QSuper Fund and the relevant reserve within the Consolidated Fund, together with the Funds' investment earnings and member and employer contributions at the current level. Taking into account the funding arrangements of the scheme, the statements required under *Superannuation Industry (Supervision) Regulation 9.31* are not applicable.

Value of assets

The net market value of the Scheme's assets as at 30 June 2004 was \$12,981.1 million and the market value of the relevant assets held in the Consolidated Fund was \$13,353.0 million, resulting in a total market value of \$26,334.1 million. These asset values were used to determine the recommended contribution rates.

Vested benefits

Vested benefits are the benefits to which members would be entitled if they terminated service at the date of calculation. These have therefore been defined as early retirement benefits for those members who are eligible and resignation benefits otherwise. The relationship between vested benefits and fund assets at any particular date provides an indication of a scheme's ability to provide benefits on a short-term basis. Generally, it is considered essential that the market value of assets exceeds the value of vested benefits since the security of members' benefits would be jeopardised if the scheme were to be terminated. However, in the case of QSuper, not only is the security of members' benefits guaranteed for all practical purposes (as the State can be assumed to be indefinitely continuing), it is quite likely that, in the absence of any significant surplus of assets over accrued liabilities, the market value of assets will be less than the value of vested benefits (as defined above). This occurs as a result of the benefit design of the Defined Benefit category in QSuper and a detailed discussion of this apparent anomaly is contained in the full report. In summary, it is more appropriate to assess the funding of QSuper by comparing its assets to the present value of accrued benefits as shown below. It will be noted however that, in this investigation, there was indeed a surplus of assets over accrued liabilities so that vested benefits would be expected to be less than the value of assets.

The total value of vested benefits as at 30 June 2004 was \$26,184.2 million. This includes vested benefits in respect of active members (including Accumulation members), preserved benefits in respect of former members, and the value of pensions payable to former members and beneficiaries¹, and allows for the estimated level of vested contributions tax.

The ratio of the value of relevant fund assets to the total vested benefits required to be paid by the fund in respect of active members (excluding Accumulation categories liabilities and assets) was 101.9%. This indicates that the assets were more than sufficient to provide for the vested benefits.

Accrued benefits

Accrued benefits are the benefits that a scheme is committed to provide in the future in respect of membership of the fund completed prior to the reporting date. The relationship between the value of accrued benefits and a fund's assets at a particular date may be used as a guide to the ability to provide benefits on an ongoing basis.

The accrued benefits of QSuper comprise the following items:

- accrued benefits for active members in respect of their membership up to the reporting date;
- preserved benefits held in respect of former members;
- pensions payable to former members and beneficiaries; and
- account balances of Accumulation category members.

The aggregate value of accrued benefits was determined by the Actuary as at the date of the actuarial investigation on the following basis:

- Accrued benefits for active members were assumed to increase in line with general levels of salary inflation and promotional salary growth.
- Accrued benefits were assumed to be payable (or for pensioners, cease to be payable) on the leaving of service, death, or disablement of members in a manner consistent with the assumptions made in the most recent actuarial investigation of QSuper.
- The present value of accrued benefits was assessed by applying a long-term discount rate equivalent to an investment return that is 3.5% p.a. in excess of assumed salary inflation. Salary inflation was assumed to be 4.0% p.a. This assumed investment return allows for all forms of investment income, dividends, rents, and capital gains and is assumed to be net of investment management expenses, charges, fees, and taxes.
- Accrued benefits were apportioned between past and future service using the Actual Accrual Approach. This is equivalent to allowing only for the period of service up to 30 June 2004 when calculating the expected benefits payable in future years.

The total value of accrued benefits as at 30 June 2004 was \$24,496.4 million, including an allowance for the estimated level of accrued contributions tax.

The ratio of the value of relevant fund assets to the total discounted value of accrued benefits in respect of active members was 113.8%. This indicates that the assets were more than sufficient to provide for the present value of accrued benefits.

Key assumptions

Discount rate

The assumed long-term earning rate on the fund's assets after tax and investment expenses is 7.5% p.a.

Salary growth

Long-term salary growth due to inflation is assumed to be at the rate of 4% p.a.

Salary growth due to promotion is assumed to be in accordance with an age based salary scale.

Inflation

This assumption is relevant for the purposes of valuing pensions that are increased in line with increases in the CPI. Pensions in payment have been assumed to increase at the rate of 3.0% p.a.

¹ The value of vested benefits in respect of Accumulation accounts, preserved benefits in respect of former members and the value of pensions payable to former members and beneficiaries was \$10,044.2 million.



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General purpose
financial statements
Government Superannuation Office
for the year ended 30 June 2005

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Government Superannuation Office

Statement of financial performance for the year ended 30 June 2005

	Notes	2005 \$'000	2004 \$'000
Revenue from ordinary activities	2	39,267	43,876
Expenses from ordinary activities	3	39,232	42,911
Net operating result		35	965

The accompanying notes form part of these financial statements.

Statement of financial position

for the year ended 30 June 2005

	Notes	2005 \$'000	2004 \$'000
ASSETS			
Current assets			
Cash assets	1(e), 4	13,093	13,315
Receivables	1(f), 5	2,514	897
Other	6	265	220
Total current assets		15,872	14,432
Non-current assets			
Plant and equipment	1(c), 7	1,931	2,047
Intangibles	1(g), 8	5,349	7,012
Other	6	29	-
Total non-current assets		7,309	9,059
TOTAL ASSETS		23,181	23,491
LIABILITIES			
Current liabilities			
Payables	1(h), 9	6,355	6,861
Provisions	1(i), 10	1,473	1,407
Total current liabilities		7,828	8,268
Non-current liabilities			
Provisions	1(i), 10	258	201
Total non-current liabilities		258	201
TOTAL LIABILITIES		8,086	8,469
NET ASSETS		15,095	15,022
EQUITY			
Accumulated surplus	11	15,095	15,022
TOTAL EQUITY		15,095	15,022

The accompanying notes form part of these financial statements.

Government Superannuation Office

Statement of cash flows

for the year ended 30 June 2005

	Notes	2005 \$'000	2004 \$'000
Cash flows from operating activities			
Receipts			
Administration fees and other receipts		37,330	47,105
Interest		376	274
Goods and services tax refunded		152	-
Goods and services tax collected		3,689	4,344
		41,547	51,723
Payments			
Employee and administration payments		36,643	39,904
Goods and services tax payments		1,342	2,135
Goods and services tax remitted		2,555	2,556
		40,540	44,595
Net cash from operating activities	12	1,007	7,128
Cash flows from investing activities			
Receipts			
Proceeds from sale of plant and equipment		5	8
		5	8
Payments			
Payments for plant and equipment		612	573
Payments for intangibles		622	2,214
		1,234	2,787
Net cash used in investing activities		1,229	2,779
Net movement in cash		(222)	4,349
Cash at beginning of financial year		13,315	8,966
Cash at end of financial year		13,093	13,315

The accompanying notes form part of these financial statements.

Notes to the financial statements for the year ended 30 June 2005

Note 1 Significant accounting policies

(a) Basis of accounting

General

The Government Superannuation Office (the organisation) elects to prepare general purpose financial statements. These statements have been prepared in accordance with the *Financial Administration and Audit Act 1977*, *Financial Management Standard 1997*, applicable Australian Accounting Standards, Urgent Issues Group Abstracts, and Statements of Accounting Concepts.

These financial statements have been prepared on an accrual and going concern basis under the historical cost convention, except where specifically stated.

Accounting policies

Unless otherwise stated, all accounting policies applied are consistent with those of the prior year. Comparative information is reclassified where appropriate to enhance comparability.

Classification between current and non-current

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be realised or paid. The asset or liability is classified as current if it is expected to be turned over within the next 12 months, being the organisation's operational cycle.

Rounding

Unless otherwise stated, amounts in the statements have been rounded to the nearest thousand dollars.

(b) Revenue recognition

Revenue is recognised when goods or services are delivered.

(c) Recognition and measurement of plant and equipment

Acquisition

The purchase method of accounting is used for all acquisitions of assets, being the fair value of the assets provided as consideration plus any incidental costs attributable to the acquisition, including all other costs incurred in getting the assets ready for use.

Plant and equipment items with a cost or value in excess of \$5,000 and a useful life of more than 1 year, are recognised as an asset. All other items of plant and equipment are expensed on acquisition.

Repairs and maintenance

Routine maintenance, repairs, and minor renewal costs are expensed as incurred. Where the repair relates to the replacement of a component of an asset and the cost exceeds the capitalisation threshold, the cost is capitalised and depreciated.

Notes to the financial statements for the year ended 30 June 2005

Note 1 Significant accounting policies (continued)

(c) Recognition and measurement of plant and equipment (continued)

Operating leases

Lease payments for operating leases are recognised as an expense in the years in which they are incurred, as this reflects the pattern of benefits derived by the organisation.

Leasehold improvements

Leasehold improvements with a cost in excess of \$10,000 are recognised as an asset and depreciated over the unexpired period of the lease or the estimated useful life of the improvement, whichever is the shorter.

(d) Depreciation of plant and equipment

Depreciation on plant and equipment is calculated on a straight-line basis so as to write off the net cost of each depreciable asset, less its estimated residual value, progressively over its estimated useful life to the organisation.

Work in progress is not depreciated until it reaches service delivery capacity.

Where assets have separately identifiable components, these components are assigned useful lives distinct from the asset to which they relate. Any expenditure that increases the originally assessed capacity or service potential of an asset is capitalised and the new depreciable amount is depreciated over the remaining useful life of the asset to the organisation.

Major depreciation periods used are listed below:

	2005	2004
<i>Plant and equipment</i>		
Computer equipment (refer Note 7(i))	3 to 6 years	3 to 5 years
Office equipment	5 years	5 years
Office furniture and fittings	10 years	10 years
Leasehold improvements (refer Note 7(i))	6 to 12 years	4 to 12 years
<i>Intangibles</i>		
Software purchases	3 to 5 years	3 to 5 years
Software development (refer Note 8(i))	3 to 9 years	3 to 9 years

(e) Cash assets

For the purposes of the statement of financial position, cash assets include all cash and cheques received but not banked.

Government Superannuation Office

Notes to the financial statements

for the year ended 30 June 2005

Note 1 Significant accounting policies (continued)

(f) Receivables

Trade debtors are recognised at the nominal amounts due at the time of sale or service delivery, with settlement being generally required within 30 days from the invoice date.

The collectability of receivables is assessed periodically with provision being made for doubtful debts.

Bad debts are written off in the period in which they are recognised.

(g) Intangibles

All intangible assets with a cost or other value greater than \$50,000 are recognised in the financial statements, with items of a lesser value being expensed. Each intangible asset is amortised over its estimated useful life to the organisation less any anticipated residual value.

(h) Payables

Payables are recognised for amounts payable in the future for goods and services received, whether or not billed to the organisation. Creditors are generally unsecured, and are normally settled within 30 days of invoice receipt.

(i) Provision for employee benefits

Annual leave

Annual leave entitlements are accrued on a pro rata basis in respect of services provided by employees up to balance date. The liability for salaries and annual leave is calculated using the remuneration rates the organisation expects to pay as at the reporting date.

Long service leave

Under the State Government's Long Service Leave Central Scheme a levy is made on the organisation to cover this expense. Amounts paid to employees for long service leave are claimed from the scheme as and when leave is taken.

No provision for long service leave is recognised in the financial statements, the liability being held on a 'whole of government' basis and reported in the financial statements prepared pursuant to AAS 31 "Financial Reporting by Governments".

Superannuation

Employees of the organisation are members of the State Public Sector Superannuation Fund (QSuper). Contributions to employee superannuation accounts are expensed as they are paid or become payable.

The Treasurer of Queensland, based on advice received from the Queensland State Actuary, determines the employer contributions for superannuation.

No liability is recognised for accruing superannuation benefits in these financial statements, the liability being held on a 'whole of government' basis and reported in the *Whole of government financial statements* prepared pursuant to AAS 31 "Financial Reporting by Governments".

Notes to the financial statements for the year ended 30 June 2005

Note 1 Significant accounting policies (continued)

(j) Taxation

The activities of the organisation are exempt from Commonwealth taxation except for Fringe Benefits Tax (FBT) and Goods and Services Tax (GST). As such, input tax credits receivable and GST payable from/to the Australian Taxation Office are recognised and accrued.

(k) Impact of adopting the Australian equivalent of International Financial Reporting Standards

The Financial Reporting Council has determined that all entities preparing general purpose financial statements will apply the Australian equivalents to International Financial Reporting Standards (AIFRS) for reporting periods beginning on or after 1 January 2005.

The organisation has established an AIFRS Work Group to assist in the implementation of the new reporting requirements. All AIFRS have been progressively reviewed as at 30 June 2005 for possible implications for policies, procedures, systems, and financial impacts arising from such changes.

To date, the organisation has identified the following key differences in accounting policies, which will arise from the adoption of AIFRS:

- The introduction of AASB 136 "Impairment of Assets" requires an annual impairment test to be performed on all non-current physical and intangible assets. The material assets of the organisation are currently valued at written down historical cost. At the time of certification, there were no indicators of impairment. As such, it is expected that there will be no effect upon the organisation's financial statements as at 30 June 2005.
- AASB 119 "Employee Benefits" requires employers to recognise the net surplus or deficit in their employer sponsored defined benefit superannuation funds as an asset or liability, respectively. As the organisation contributes to a whole of government superannuation scheme, and the government assumes the responsibility for the funding of the scheme, the organisation will recognise as a liability only that portion of superannuation contributions owing to QSuper at the end of the reporting period. There will therefore be no effect on the organisation's financial statements (refer to Note 1(i)).

AASB 119 also requires that where there are instances of annual leave not expected to be paid within 12 months, the liability is to be measured at the present value of the future cash flows. Currently, all annual leave is measured at the nominal amount. This is expected to result in a decrease of \$13,000 in the non-current annual leave provision.

- AASB 138 "Intangible Assets" prohibits the recognition of intangible assets arising from research activities. Costs associated with research activities and staff training are to be derecognised with the net effect taken to the organisation's accumulated surplus. It is expected that this adjustment will result in a decrease of \$119,000 in the carrying amount of intangible assets.

Notes to the financial statements for the year ended 30 June 2005

Note 1 Significant accounting policies (continued)

(k) Impact of adopting the Australian equivalent of International Financial Reporting Standards (continued)

Policy decisions made at a 'whole of government' level in relation to the limiting of options in the AIFRS may have the following additional impacts on the financial statements:

- Subject to proposed Government Finance Statistics (GFS) and Generally Accepted Accounting Principles (GAAP) Harmonisation and ED 132 "Request for Comment on IASB ED Proposed Amendments to IAS 39 Financial Instruments: Recognition and Measurement – The Fair Value Option", financial instruments including borrowings may be recorded at fair value with market value fluctuations taken to the statement of financial performance. Since material financial instruments of the organisation are currently valued at net fair value (refer Note 16), the effect of this policy decision is expected to be immaterial.

Mandated changes to policy on transition to AIFRS

In addition to the amendments required on adoption of AIFRS, a number of mandated policies will be introduced, the commencement date of which will coincide with the implementation of the new Standards. When these mandated policies come into effect, it is anticipated that there will be changes to the asset recognition thresholds. Consequently, the impact to the 2005 comparatives in the financial statements for the year ending 30 June 2006 will include:

- \$18,000 being posted as a reduction to the balance of accumulated surplus on 1 July 2004, with a corresponding reduction to the relevant asset class and accumulated depreciation; and
- \$16,000 being posted to write back depreciation charged in the 2005 year for assets written off as a result of the new thresholds at 1 July 2004.

Note 2 Statement of financial performance – revenue

Revenue from ordinary activities

	2005 \$'000	2004 \$'000
(a) <i>Administration fees received or due and receivable</i>		
QSuper Fund (refer Note 15(ii))	38,600	43,025
Parliamentary Contributory Superannuation Fund (refer Note 15(iii))	45	44
Long service leave central scheme (refer Note 15(i))	49	49
	38,694	43,118
(b) <i>Interest received or due and receivable</i>	398	330
(c) <i>Other revenue received or due and receivable</i>		
Q Invest Limited (refer Note 15(iv))	119	335
Other revenue	56	93
	175	428
Total revenue from ordinary activities	39,267	43,876

Government Superannuation Office
Notes to the financial statements
for the year ended 30 June 2005

Note 3 Statement of financial performance – expenses

Operating expenses from ordinary activities

	2005	2004
	\$'000	\$'000
(a) <i>Employee expenses</i>		
Salaries and wages (i)	17,924	15,886
Superannuation contributions	2,059	1,873
Payroll taxation	965	849
Personnel development	440	330
Recruitment and selection	169	147
Contractors	2,012	2,424
Other employee expenses	324	301
	23,893	21,810
<p>(i) The organisation had 347 full-time equivalent (FTE) employees at 30 June 2005 (327 at 30 June 2004). Variance in actual FTEs between financial years does not equate to a movement in approved permanent positions due to normal operational activities, such as recreation leave and staff vacancies.</p>		
(b) <i>Financial planning fees (refer Note 15(iv))</i>	(27)	7,255
(c) <i>Corporate service fees (refer Note 15(i))</i>	2,004	2,347
(d) <i>Postage and printing</i>		
Postage	1,046	1,029
Printing	994	904
	2,040	1,933
(e) <i>Depreciation and amortisation (refer Notes 7 and 8)</i>		
Computer equipment	552	554
Office furniture and fittings	1	1
Office equipment	56	57
Leasehold improvements	104	110
Software purchases	58	37
Software development	2,078	1,294
	2,849	2,053
(f) <i>Rental expense – operating lease</i>	1,577	1,518
(g) <i>Consultancy</i>		
Communication	170	60
Information technology	84	3
Medical	1,037	1,061
Investment	192	30
Taxation	117	74
Other	21	6
	1,621	1,234
(h) <i>Computer charges and operating costs</i>	1,361	1,430

Notes to the financial statements for the year ended 30 June 2005

Note 3 Statement of financial performance – expenses (continued)

Operating expenses from ordinary activities (continued)

	2005 \$'000	2004 \$'000
(i) <i>Auditors' remuneration</i>		
Queensland Audit Office – external audit services	155	146
KPMG – internal audit services	198	225
Queensland Treasury – internal audit services	-	32
	353	403
(j) <i>Other expenses</i>		
Marketing and communications	597	603
Minor assets (refer Note 1(c))	1,398	809
Stationery and subscriptions	460	392
Other occupancy charges	298	297
Actuarial fees	235	227
Legal costs	157	174
Trustee fees	21	22
Other administration costs	395	404
	3,561	2,928
Total operating expenses from ordinary activities	39,232	42,911

Note 4 Cash assets

Cash on hand	1	1
Cash at bank	13,092	13,314
	13,093	13,315

Note 5 Receivables

<i>Current</i>		
Trade debtors	2,034	546
GST receivable	208	152
Interest	168	146
Other	104	53
	2,514	897

Note 6 Other assets

<i>Current</i>		
Prepayments	265	220
<i>Non-current</i>		
Prepayments	29	-

Notes to the financial statements for the year ended 30 June 2005

Note 7 Plant and equipment

		2005 \$'000	2004 \$'000
<i>Computer equipment</i>	(i)	3,520	3,333
Less: accumulated depreciation		2,591	2,177
Carrying amount at the end of the financial year		929	1,156
<i>Office furniture and fittings</i>		23	23
Less: accumulated depreciation		18	17
Carrying amount at the end of the financial year		5	6
<i>Office equipment</i>		294	286
Less: accumulated depreciation		200	157
Carrying amount at the end of the financial year		94	129
<i>Leasehold improvements</i>	(i)	1,270	1,018
Less: accumulated depreciation		367	262
Carrying amount at the end of the financial year		903	756
Total plant and equipment		1,931	2,047

(i) Revision of accounting estimates

During the year, estimated total useful lives of certain items of computer equipment and leasehold improvements were revised. The net effect of the change in the current year was a decrease in depreciation expense of \$39,000 (2004 - nil).

Notes to the financial statements for the year ended 30 June 2005

Note 7 Plant and equipment (continued)

Movements during the financial year	2005	2004
	\$'000	\$'000
<i>Computer equipment</i>		
Carrying amount at the beginning of the financial year	1,156	1,459
Additions	345	237
Write offs	(20)	(15)
Transfers between asset classes	-	29
Depreciation expense	(552)	(554)
Carrying amount at the end of the financial year	929	1,156
<i>Office furniture and fittings</i>		
Carrying amount at the beginning of the financial year	6	7
Additions	-	-
Write offs	-	-
Depreciation expense	(1)	(1)
Carrying amount at the end of the financial year	5	6
<i>Office equipment</i>		
Carrying amount at the beginning of the financial year	129	167
Additions	21	19
Write offs	-	-
Depreciation expense	(56)	(57)
Carrying amount at the end of the financial year	94	129
<i>Leasehold improvements</i>		
Carrying amount at the beginning of the financial year	756	617
Additions	251	267
Write offs	-	(18)
Depreciation expense	(104)	(110)
Carrying amount at the end of the financial year	903	756
Total plant and equipment	1,931	2,047

Notes to the financial statements for the year ended 30 June 2005

Note 8 Intangibles

	2005 \$'000	2004 \$'000
<i>Software purchases</i>	730	730
Less: accumulated amortisation	678	620
Carrying amount at the end of the financial year	52	110
<i>Software development</i>	10,001	8,240
Software development work in progress	-	1,287
Less: accumulated amortisation	4,704	2,625
Carrying amount at the end of the financial year	5,297	6,902
Total intangibles	5,349	7,012

(i) Revision of accounting estimates

During the year estimated total useful lives of certain items of developed software were revised. The net effect of the change in the current year was an increase in amortisation expense of \$37,000 (2004 - decrease of \$377,000).

(ii) Fully amortised intangibles held at 30 June 2005

Intangibles include a fully amortised software development with a gross cost of \$74,000. Whilst the asset had a nil carrying amount at 30 June 2005, it was still in use. It is anticipated that this asset will be written off during the 2006 year under a mandated policy on new asset recognition thresholds (refer Note 1(k)).

Note 9 Payables

	2005 \$'000	2004 \$'000
Trade creditors	4,633	4,856
Other creditors and accruals	1,722	2,005
	6,355	6,861

Notes to the financial statements for the year ended 30 June 2005

Note 10 Provisions

	2005 \$'000	2004 \$'000
<i>Current</i>		
Balance at the beginning of the financial year	1,407	1,455
Additional provisions recognised	1,422	1,223
Reductions in provisions as a result of payments	(1,356)	(1,271)
Balance at the end of the financial year	1,473	1,407
<i>Non-current</i>		
Balance at the beginning of the financial year	201	-
Additional provisions recognised	57	201
Balance at the end of the financial year	258	201

Note 11 Accumulated surplus

Balance at the beginning of the financial year	15,022	14,076
Net operating result for the financial year	35	965
Net leave liabilities transferred to / (from) other government entities	38	(19)
Balance at the end of the financial year	15,095	15,022

Note 12 Statement of cash flows

Reconciliation of net operating result to net cash provided by operating activities

Net operating result	35	965
Depreciation (refer Note 1(d))	713	722
Amortisation (refer Note 1(g))	2,136	1,331
Write off of non-current assets	20	33
Proceeds received on disposal of assets	(5)	(8)
Equity adjustment associated with net leave liabilities transferred to/(from) other government entities	38	(19)
<i>Change in operating assets and liabilities:</i>		
(Increase) / decrease in receivables	(1,617)	3,351
(Increase) / decrease in prepayments	(74)	116
(Decrease) / increase in payables	(362)	483
Increase in provisions	123	154
Net cash provided by operating activities	1,007	7,128

Notes to the financial statements for the year ended 30 June 2005

Note 13 Superannuation

The organisation contributes in respect of its employees to the following superannuation accounts:

Type of account	Contribution rate	2005	2004
		\$'000	\$'000
QSuper Defined Benefit account	9.75% to 12.75%	1,063	1,099
QSuper Accumulation account	9.75% to 12.75%	996	774
Total contributions		2,059	1,873

As at the reporting date, there were no outstanding contributions payable to the above accounts. The organisation is not liable for any unfunded liability in respect of the above employer sponsored Defined Benefits superannuation account.

Note 14 Segment information

The principal activities of the organisation include the provision of expert superannuation policy advice, the provision of competitive products and services to enhance employee remuneration and retain members post employment and the administration of legislation related to the management of superannuation for Queensland State Public Sector employees. The organisation concentrates its activities in one geographical area, being Queensland.

Note 15 Related parties

The organisation is a portfolio of the Queensland Treasury and is responsible for administering QSuper, the Parliamentary Contributory Superannuation Fund, the Judges' Pension Scheme, the Governors' Pension Scheme, and the Long Service Leave provisions for Queensland State Public Sector employees. During the year transactions were undertaken between the organisation and a number of related parties.

(i) Queensland Treasury

Under the Queensland Government Shared Service Initiative, Corporate Solutions Queensland (CSQ) is the corporate service provider of Queensland Treasury. Certain corporate service functions of the organisation were provided by CSQ in accordance with a service level agreement between the service provider and Queensland Treasury. During the financial year, fees to Queensland Treasury for services, including those provided by CSQ, aggregated \$2,004,000 (2004 - \$2,000,000).

The Queensland Government has decided that an equity return will not be required for the 2005 and subsequent years. In 2004, \$347,000 was appropriated to Queensland Treasury as the net equity expense.

The organisation is appointed to administer the Long Service Leave Central Scheme by Queensland Treasury. Administration fees received for conducting this service aggregated \$49,000 (2004 - \$49,000) during the financial year.

(ii) QSuper

The organisation provides fund administration services to the QSuper Board of Trustees in accordance with the *Superannuation (State Public Sector) Act 1990*. Administration fees received from QSuper for the year aggregated \$38,600,000 (2004 - \$43,025,000). The 2004 fees included the recovery of the financial planning fees paid to Q Invest Limited on behalf of QSuper (refer Note 15(iv)).

Notes to the financial statements for the year ended 30 June 2005

Note 15 Related parties (continued)

(iii) The Parliamentary Contributory Superannuation Fund

The organisation provides fund administration services to the Parliamentary Contributory Superannuation Fund Board of Trustees in accordance with the *Parliamentary Contributory Superannuation Act 1970*. Administration fees received from the Parliamentary Contributory Superannuation Fund for the year aggregated \$45,000 (2004 - \$44,000).

(iv) Q Invest Limited (Q•Invest)

The QSuper Board of Trustees holds a 50% interest in Q•Invest. Q•Invest's principal activities consist of providing financial planning advice under a dealers licence and to act as responsible entity for the Q•Invest Investment Access Funds. Since 1 July 2004, the financial planning fees are paid to Q•Invest directly by QSuper. During the 2005 financial year, a rebate of \$27,000 was received in respect of the financial planning fees which were paid by the organisation under normal commercial terms to Q•Invest and aggregated \$7,255,000 in 2004.

Under an agreement, based on normal commercial terms and conditions, the organisation provides services to Q•Invest. These services, such as information technology and marketing, aggregated \$119,000 (2004 – \$335,000) during the financial year. The agreement for the provision of these services to Q•Invest expired during the reporting period and as such this arrangement is under review.

(v) QIC

QIC, a body corporate established under the *Queensland Investment Corporation Act 1991*, which holds the remaining 50% interest in Q Invest Limited, is the investment manager for QSuper and the Parliamentary Contributory Superannuation Fund.

Note 16 Financial instruments

(i) Interest rate risk

The organisation is exposed to interest rate risk through cash held in the bank.

Under the Cash Management Incentive Regime, the Government Superannuation Office received interest at 4.42% to 4.85% (2004 - 3.66% to 4.52%) calculated on the daily bank balance. Overdraft balances attract interest of 8.42% to 8.85% (2004 - 7.66% to 8.52%).

(ii) Receivables

Receivables are carried at actual amounts with credit advanced normally on 30 day terms. The maximum exposure to credit risk at balance date in respect of receivables is the carrying amount as disclosed in the statement of financial position. Accordingly, provision is only made for doubtful debts where recovery of the debts is considered extreme.

(iii) Creditors

Creditors are carried at actual amounts and include accrued expenses applicable to the financial year and paid after balance date.

(iv) Net fair value

The carrying amount of cash, receivables, and payables approximates net fair value.

Notes to the financial statements for the year ended 30 June 2005

Note 17 Commitments

Operating lease commitments

The organisation had the following operating lease commitments (inclusive of GST) for payment:

	2005 \$'000	2004 \$'000
Within 1 year	2,074	1,918

Capital commitments

At 30 June 2005 the organisation had no known capital commitments.

Note 18 Contingent liabilities

There are no known actual or possible material claims against the organisation at 30 June 2005.

Note 19 Post balance date events

No events have occurred subsequent to the financial statements date that would require adjustment to, or disclosure in, the financial statements.

Certificate of the Government Superannuation Office

These general purpose financial statements have been prepared pursuant to the *Financial Administration and Audit Act 1977*, and other prescribed requirements and we certify that in our opinion:

- (a) the prescribed requirements for establishing and keeping the accounts have been complied with in all material respects; and
- (b) the statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of the Government Superannuation Office for the financial year ended 30 June 2005 and of the financial position at the end of that year.



G P Bradley
Under Treasurer



R A Vilgan
Chief Executive Office



C J Kaye
Chief Financial Officer

Brisbane
2 September 2005

State Public Sector Superannuation Fund

Independent audit report

to the Board of Trustees and Members of the State Public Sector Superannuation Fund

Matters relating to the electronic presentation of the audited financial statements

The materials presented on this site are provided by the Queensland Government for information purposes only. Users should note that the electronic versions of financial statements on this site are not recognised as the official or authorised version. The electronic versions are provided solely on the basis that users will take responsibility for verifying their accuracy, completeness and currency. Although considerable resources are used to prepare and maintain the electronic versions, the Queensland Government accepts no liability for any loss or damage that may be incurred by any person acting in reliance on the electronic versions.

Scope

The Financial Report

The financial report of the Government Superannuation Office consists of the statement of financial performance, statement of financial position, statement of cash flows, notes to and forming part of the financial statements and certificates given by the Accountable Officer and officer responsible for the financial administration of the Government Superannuation Office, for the year ended 30 June 2005.

Accountable Officer's Responsibility

The Accountable Officer is responsible for the preparation and true and fair representation of the financial report, the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

As required by law, an independent audit was conducted in accordance with *QAO Auditing Standards* to enable me to provide an independent opinion whether in all material respects the financial report is presented fairly in accordance with the prescribed requirements, including any mandatory financial reporting requirements as approved by the Treasurer for application in Queensland.

Audit procedures included –

- examining information on a test/sample basis to provide evidence supporting the amounts and disclosures in the financial report;
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Accountable Officer;
- obtaining written confirmation regarding the material representations made in conjunction with the audit; and
- reviewing the overall presentation of information in the financial report.

Independence

The *Financial Administration and Audit Act 1977* promotes the independence of the Auditor-General and QAO authorised auditors.

The Auditor-General is the auditor of all 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 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.

Audit Opinion

In accordance with the *Financial Administration and Audit Act 1977* –

- (a) I have received all the information and explanations which I have required; and
- (b) in my opinion –
 - (i) the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
 - (ii) the financial report has been drawn up so as to present a true and fair view, in accordance with the prescribed accounting standards of the transactions of the Government Superannuation Office for the financial year 1 July 2004 to 30 June 2005 and the financial position as at the end of the year.



J F WELSH, FCPA
Acting Director of Audit
(As Delegate of the Auditor-General of Queensland)
6 September 2005

Queensland Audit Office
Brisbane

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Disclaimer

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



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