

Annual report

Annual report of the QSuper Board of Trustees

2007/2008



The financial statements in this annual report are an electronic presentation of the audited statements and are not to be used as an official copy. A hard copy of the annual report can be obtained by contacting QSuper on 1300 360 750.

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Additional copies

You can obtain additional copies of this annual report by visiting the QSuper website at qsuper.qld.gov.au or calling QSuper on 1300 360 750.

Disclaimer

The information in this report is not personal advice and has been prepared for general information purposes only, from sources believed to be reliable and accurate. It does not, therefore, take into account your personal objectives, financial situation, or needs. Before acting or relying on any information contained in this report, you should consider whether you need to seek personal financial advice.

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Our profile

Everything we do is focused on benefiting our members

The Treasurer of Queensland is responsible for the superannuation arrangements of the Queensland state public sector, with the major fund being the Queensland State Public Sector Superannuation Scheme (QSuper). Until 30 June 2007 the Government Superannuation Office, as a portfolio office of Queensland Treasury, administered QSuper on behalf of its Board of Trustees. On 1 July 2007 a new entity – QSuper Limited – was created, which assumed responsibility for the administration of QSuper.

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. Through the Board, superannuation for Queensland state public sector employees is managed as a partnership between employers and unions.

QSuper is one of Australia's largest superannuation funds, and the Board is committed to helping Queensland state public sector employees achieve their retirement income goals by providing quality products and services.

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

As outlined in this report, QSuper is currently considering the option of becoming regulated by the Australian Prudential Regulation Authority (APRA), a process that began in the previous year.

Purpose of this report

The QSuper Board of Trustees is pleased to present the annual report for the twelve months ended 30 June 2008.

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

Our vision and values

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

Our organisational values are:

- members
- innovation
- delivery
- professionalism.

Our Chairman's report

Our experienced and knowledgeable Trustees are confidently guiding the Fund towards the future

The year that was

by Gerard Bradley

The past year has been one of increased sharemarket volatility, flowing from difficulties experienced in financial markets. This volatility has affected all superannuation funds and QSuper is no exception, with many of our options seeing negative returns this financial year. However, these lower returns are a natural part of the financial cycle, and it's important to place these results into a wider context. QSuper is committed to providing members the best possible long-term results, and despite this year's lower returns, we have delivered solid long-term returns to members, with an average return of 10.56% per annum for our Balanced option over the past five years.

We were also pleased to note that the end of year return for our Balanced option of -3.61% was still significantly better than the industry average after such a difficult year, and in fact places us in the top ten superannuation funds based on 2007/2008 returns.



An award-winning fund

This commitment to be among the best in Australia is something that is reflected in everything we do. This has once again been recognised by the industry, with our Accumulation account being awarded a second consecutive platinum rating by respected independent ratings company SuperRatings. In addition, our Allocated Pension account also received a platinum rating in SuperRating's inaugural review of pension products.

Only the top 15% of products considered are awarded a platinum rating, so these awards recognise excellence across a range of criteria, and position both our Accumulation and Allocated Pension accounts as among the best value for money in Australia. These are significant accomplishments which the Trustees take considerable pride in, as they demonstrate we are delivering on our commitment to offering the best possible products and services to our members.

Listening to our members

We place a great deal of importance on what our members have to say, which is why this year we made the decision to monitor our member satisfaction on a continuous basis.

Results are extremely positive, with 88% of members stating they are highly satisfied with QSuper as a fund. Results also showed members consistently rated QSuper's fees, investment returns, and quality of products and services more favourably than other funds.

Providing even more choice

These levels of member satisfaction are obviously very encouraging results – however QSuper is never complacent, and the Board is constantly seeking ways to make the Fund even better for members and ensure it is meeting their ever evolving needs. For this reason, February 2008 saw the introduction of a new investment option called Basic Growth. The Basic Growth option increases our number of investment options to nine, as shown below, giving our members even greater choice in how they build their superannuation. More information on this option can be found on page 10.

QSuper's nine investment options

Ready Made



Your Choice





Gerard Bradley
Under Treasurer and
Chairman of the Board

Website innovation

In an increasingly technology-based environment, our website is becoming a vital tool in our members' interactions with us. Website visits increased by 20% over the past year, reaching 115,000 a month, and we anticipate this is a trend that will keep growing. We already offer a high quality website to our members – something that was recognised at the 2007 Association of Superannuation Funds of Australia (ASFA) Communication Awards when our website received a merit award. We recognise how important it is to continually adapt with member expectations, and have committed to new website upgrades.

This will ensure QSuper continues to have an innovative, industry-leading website that delivers exceptional service to our members 24 hours a day, 7 days a week. The first phase is set for launch in late 2008, and will see new calculators, real-time graphs, online videos, and a refreshed look. Even greater innovations are planned for the future, with plans for providing members with the facilities to transact and interact with us online.

Taking care of members now

QSuper isn't just here to assist members reach their retirement goals – it is also committed to looking after members and their families in the case of accident, illness, or death. The Board has always been committed to offering QSuper members comprehensive insurance cover at a very competitive cost. In fact, following this year's review by the State Actuary, our insurance offering is now even better. The value of death and total and permanent disability units has increased, there are higher maximum available levels of cover, and premiums were reduced for income protection insurance.

Moving into regulation

Providing high quality products and services to members is always going to be our top priority, but the Trustees also recognise that to best serve our members we need to ensure we are operating under the best possible regulatory framework.

For this reason, the QSuper Board of Trustees began investigations during the 2006/2007 financial year into becoming a Commonwealth regulated superannuation fund, and began discussing issues with the relevant bodies. Discussions are ongoing, and we are hoping a resolution will be reached in the coming months. We also want to be able to cater for members who have left Queensland Government employment and want their new employer to contribute to their QSuper account. Much work has been done over the previous year in establishing a framework for this initiative.

Enhancements to our Board

This year has seen much internal change at a Board level. Following a 2007 amendment to the *Superannuation (State Public Sector) Act 1990*, which allowed for an increase in membership of the Board, the total number of trustees has now increased from ten to twelve. This increase is in recognition of QSuper's ever growing membership and increasing funds under management. The new structure ensures that all major occupational groups are represented, which in turn means we can continue to meet the diverse needs of members from both a member and employer perspective.

Due to this expansion and the fact several of our Trustees' terms came to an end, we welcomed six new Trustees to the Board. They have joined us at an exciting time as we continue to evolve and deliver improved value to members, so I'd like to welcome Peter Henneken, Natalie McDonald, Bob Scheuber, Tom Jeffers, and Gay Hawksworth. In addition I'd like to thank Denis Fitzpatrick, who was appointed in August 2007, but due to changing work circumstances resigned in June 2008. I'd also like to take this opportunity to thank Linda Apelt, Tony Hawkins, Garry Ryan, Chris Barrett, and Gary Wilkinson (and his deputy Merv Bainbridge) who have all departed this year after providing years of valuable contribution and dedication. Personally, I would further like to thank all Board members for their commitment to QSuper and its members.

Acknowledgements

On behalf of the Board, I would like to formally acknowledge QSuper's key service providers, including QSuper Limited, QIC, Q Invest, the State Actuary, Watson Wyatt, and Ernst & Young. The Board also wishes to thank the Auditor-General of Queensland.

Gerard Bradley
Under Treasurer and
Chairman of the Board

Our Board of Trustees

The QSuper Board of Trustees is responsible for overseeing the operation of QSuper

The QSuper Board of Trustees meets on a monthly basis to discuss important decisions regarding key areas of the Fund, including the creation and implementation of QSuper's strategic direction, the formulation of the investment strategy, and most importantly, service delivery to members. Our members can be confident they're backed by a winning team.

The Board of Trustees of the State Public Sector Superannuation Scheme is known as the QSuper Board of Trustees (ABN 60 905 115 063). The *Superannuation (State Public Sector) Act 1990* provides for the indemnification of the Board of Trustees. The Board has a level of indemnification that is consistent with Commonwealth superannuation laws and other state legislation.

Member representatives

Appointed by the Treasurer, but it is required that one person be nominated by the Australian Workers' Union and five persons be nominated by the Queensland Council of Unions.



Karen Peut
Queensland Public Sector
Union of Employees
Appointed: May 1985



Steve Ryan
President, Queensland
Teachers' Union
Appointed: June 1994



Tom Jeffers
Vice President, Australian
Workers' Union
Appointed: August 2007



Gay Hawksworth
State Secretary,
Queensland Nurses' Union
Appointed: December 2007



Position to
be filled

This position will be filled in the coming months by a nominee of the Queensland Council of Unions.



Position to
be filled

This position will be filled in the coming months by a nominee of the Queensland Council of Unions.

Employer representatives

Appointed by the Treasurer.



Gerard Bradley
Under Treasurer and
Chairman of the Board
Appointed: August 1998



Terri Hamilton
Director, Terri Hamilton
Financial Services
Appointed: June 2000



John Carpendale
Former superannuation
fund executive
Appointed: June 2006



Bob Scheuber
Former Chief Executive,
Queensland Rail
Appointed: December 2007



Natalie MacDonald
Director-General,
Department of Housing
Appointed: December 2007



Peter Henneken
Director-General, Department
of Employment and Industrial
Relations
Appointed: December 2007



Our year in review

Our focus is on continual development and ensuring QSuper is well equipped to build and maintain its position as an industry leader – now and in the future

In a year of market volatility and significant internal change we implemented a number of key initiatives, all aimed at building on our already strong position and enhancing our products and services.

Strategic direction

Over the past year we have made significant progress in our application to become a fund regulated by the Commonwealth Government. On a related note, significant groundwork has been made on the preserved member offer – a project focusing on the implementation of an exciting new member offer aimed at allowing QSuper members the opportunity to have a non-Queensland Government employer contribute to their QSuper account after they have left Queensland Government employment, or if they have a second job outside of the Queensland Government.

Signalling the beginning of a new direction for QSuper, this year has also seen the introduction of a number of new internal processes aimed at improving the way the Fund operates as part of our ongoing preparations to become regulated. These stronger controls ensure increased integrity and financial security for members. As we adapt and evolve to meet the rigours of operating in a regulated environment, we are positioning ourselves well for the future, which will ultimately benefit all of our members and put us on a level playing field with other funds.

Enhanced service delivery

1. Structure and process

The continued delivery of high quality services to our members has always been our primary focus. Our ever increasing membership base presents a challenge for us to ensure we maintain our real service ethos without impacting significantly on business costs. To this end, we have spent a great deal of time this year reviewing our service delivery programs. We have developed a transformation program to increase our business capacity, and implemented a structured framework to support the delivery of quality services to members. To assist with this expansion, we created a new management level to more effectively guide the operational capacity of our two largest service delivery business units – Member Services and Operations.

These enhancements mean that QSuper can look to an even bigger and brighter future, secure in the knowledge that we can continue to expand without compromising the high quality service our members value.

2. New business premises

In preparation for future growth we are relocating to the financial district of Brisbane's CBD. This move, which is planned for the end of 2008, means we will be well placed to serve members in an efficient and effective manner in one centrally located building.

Central Plaza III at 70 Eagle Street will feature a modern Contact Centre on the ground floor, and because of the space savings we gain in moving to the new building, the entire first floor will be a dedicated member seminar and education facility. In the future, most of our Brisbane city seminars will be run from here. Our existing Contact Centre will remain at 63 George Street, ensuring we deliver high quality services to our increased membership at two convenient CBD locations.



Artist's impression of CP III

3. Delivering seminars

We are committed to a comprehensive superannuation education program to help ensure our members have the knowledge they need to reach their retirement goals. Last year we conducted over 500 seminars throughout Queensland to cater for the needs of members, whether they're just starting to plan their journey, or are taking the next steps towards securing their financial future.

We are always looking for ways to enhance the information and education services we offer, and are therefore constantly developing new initiatives. One such initiative that has gone from strength to strength over the past year is our phased retirement seminars. These seminars are extremely popular with employers looking to retain mature age workers – a trend that is gaining momentum throughout Australia.



Rosemary Vilgan
Chief Executive Officer,
QSuper and
QSuper Limited

In conjunction with Q Invest we have delivered 18 of these seminars to 584 members, and due to anticipated demand we are already engaged in discussions with key departments to expand the delivery of this seminar program.

As a further example of our innovative engagement with members, we participated in the inaugural Brisbane Retirement and Lifestyle Expo, which saw more than 10,000 people attend over three days in October 2007. More than 670 people attended QSuper seminars, with staff on hand to answer queries from members and the general public alike.

4. Effective communications

As part of our commitment to equipping members with better knowledge, we put a great deal of effort into ensuring our communications are relevant, informative, and targeted to member needs. We are increasingly communicating with our members based on specific generational segments and other behavioural trigger points. This year we focused on enhancing

our ability to understand and analyse our membership, and as a result introduced a range of targeted direct mail campaigns to strengthen our overall relationship with members.

This approach underpinned our biggest member communication of the year – *Super Scoop* – our annual report to members. We use this mandatory reporting document as an opportunity to educate and inform our members on issues relevant to them. This year we went a step further by producing a case studies lift-out for our Builders and Baby Boomer generation members. It was designed to highlight the then new 'better super' rules, and how members could best take advantage of them to maximise retirement savings. As the majority of our younger members (generations X, Y, and Z) are less engaged with their super, we took the innovative approach of producing a 30-minute DVD to capture their attention and deliver important messages in a format preferred by them.

We were delighted that this annual reporting pack was recently recognised with a merit award at the 2008 ASFA Communication Awards.

Looking to the future

While the past financial year has been filled with many challenges, it has also been a time of opportunity and growth. We have positioned ourselves to meet the challenges of a new regulated environment, and as we head into the next financial year QSuper is embarking on more exciting areas of growth. I am confident that the 2008/2009 financial year will see QSuper accomplish even greater things for our members.

Rosemary Vilgan
Chief Executive Officer,
QSuper and QSuper Limited



Our award winning 2007 Annual reporting pack, featuring an innovative segmented approach and delivery.

Our investments

Our long-term results continue to show we deliver strong returns for our members

Market volatility

The sharemarket has performed strongly in recent years, delivering healthy super returns. However, the sudden collapse of financial credit markets in the US caused a major drop in the performance of sharemarkets around the world, including Australia. This created a highly volatile investment environment for Australian superannuation over the last year, and QSuper has not been immune.

However these lower returns do not impact on our commitment to providing solid long-term returns. In fact, the average five-year return for our Balanced option, as at 30 June 2008, was a healthy 10.56% per annum.

Delivering solid returns

Although the performance of investment markets is out of our control, we are constantly working to provide as much protection as possible for our members' superannuation during these volatile times. Over the past two years, we have reduced our allocation to equities and raised our investments in unlisted assets to try to reduce the impact of listed market volatility. In an effort to further enhance returns for members, we have introduced changes to our asset allocations. Our investment manager QIC works within strict asset allocations as prescribed by the Board. These ranges apply to most of our Ready Made options and Defined Benefit portfolios. The Board made the decision from 1 July 2008 to make these asset allocations wider for some options, in recognition of the fact that different investment strategies may be required in different economic and market environments. Increasing these ranges allows greater diversification and the ability to increase the acquisition of alternative assets, which in turn offers the potential

for achieving solid returns with less risk. Additionally, it gives QIC more ability to react to market factors and take advantage of investment opportunities as they arise. QIC continues to assess additional suitable investment opportunities in order to build a diversified portfolio in a disciplined manner.

Innovation

During the 2006/2007 financial year, QSuper was the first superannuation fund in Australia to introduce an alpha-beta separation process to manage superannuation assets. Alpha-beta separation is a process where the management of active return (alpha) and market return (beta) are split, allowing the search for alpha to be separated from the policy asset allocation, thereby improving expected portfolio outcomes.

Significant progress was achieved during the 2007/2008 financial year in implementing this new management approach, with beta allocations expanded to include additional allocations to alternative assets. The diversification of the separate alpha portfolios for the Accumulation and Defined Benefit assets also continued.

Much industry leading work has also been undertaken recently to enable QSuper's investment outcomes to be managed and reported on an after-tax basis. This work has focused on developing and implementing after-tax investment management strategies, with the goal of improving after-tax returns to QSuper members.












New investment option

Our focus at QSuper is to provide our members with the quality products and services they need, and in February 2008 the QSuper Board introduced the new Basic Growth investment option. Increasing our total number of investment options to nine, this option aims to deliver a low cost 'balanced' style exposure and is designed for people who want exposure to assets such as shares and property, but who may not value the diversification benefits of more expensive alternative assets. Ultimately it offers our Accumulation and Allocated Pension account members even more flexibility in tailoring super to their needs. Since its launch, the option has grown significantly, with funds under management totalling \$13.9m as of 30 June 2008.

Management expense ratios

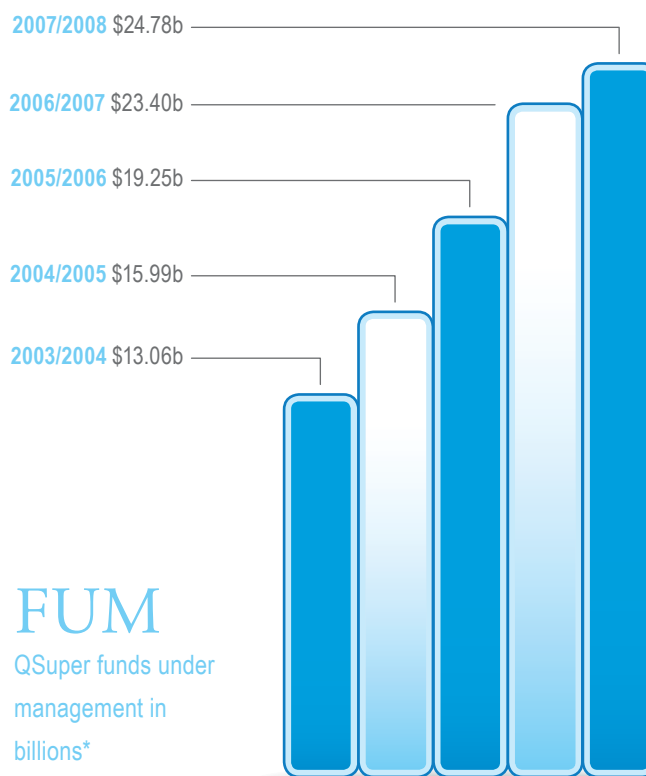
QSuper's management expense ratios (MER) is made up of a fixed component (fund administration, services, and core investment management fees), and a variable investment component. The fixed component is currently no more than 0.30% of a member's account, and the Board is obliged to provide members with at least 30 days notice of any increase. Given the nature of the variable component, these fees cannot be precisely communicated in advance. However the Board has committed to keeping members updated with fee estimates throughout the year via the QSuper website.

During the course of the year, changes made to investment strategies in the Balanced, Cash Plus, and High Growth options resulted in a higher MER than last year. At the same time, changes to the Australian Shares and International Shares investment options resulted in a lower MER than last year.










Investment option	MER
 Balanced	0.72%
 Cash Plus	0.47%
 Socially Responsible	0.95%
 Basic Growth	0.29%
 High Growth	0.85%
 Cash	0.32%
 Fixed Interest	0.39%
 Australian Shares	0.40%
 International Shares	0.42%

Our future

The 2008/2009 financial year will be one of further development and refinement of our investment strategies, and the search for more alternative asset opportunities will continue. We will, as usual, be keeping our members updated through our website and newsletters.



*These figures represent the QIC unit trust balance at 30 June, not net assets.

Investment option	Accumulation crediting rate at 30 June 2008	Allocated Pension crediting rate at 30 June 2008
 Balanced	-3.61%	-3.64%
 Cash Plus	0.26%	0.48%
 Socially Responsible	-8.25%	-9.10%
 Basic Growth	-0.74%	-0.81%
 High Growth	-8.31%	-9.06%
 Cash	4.03%	4.81%
 Fixed Interest	3.20%	3.83%
 Australian Shares	-10.88%	-11.05%
 International Shares	-12.86%	-14.63%

Our financial summary

QSuper's financial position continues
to go from strength to strength

Financial summary

QSuper net assets available as at 1 July 2007	\$22,698.23m
Revenue	
Investment revenue	(\$940.78m)
Employer contributions	\$3,075.30m
Member contributions	\$1,112.42m
Transfers from other funds	\$512.66m
Other revenue	\$79.27m
Total revenue	\$3,838.87m
Expenses	
Benefits paid	\$2,027.05m
Administration expenses	\$54.53m
Financial planning expenses	\$12.68m
Income tax expense	(\$178.69m)
Other expenses	\$6.80m
Total expenses	\$1,922.37m
QSuper net assets available as at 30 June 2008	\$24,614.73m

For detailed information refer to the financial statements on page 26.

Membership summary

Number of members at 30 June 2008	501,339	
Number of accounts at 30 June 2007	598,705	
Accounts opened	79,150	
Accounts closed	54,289	
Number of accounts at 30 June 2008	623,566	
	30 June 2007	30 June 2008
Average account balance	\$69,846	\$65,395

Our products

Delivering quality products that cater to the diverse and changing needs of our members

We understand our members' superannuation needs and expectations often change throughout their working life and into retirement. We also recognise everyone's situation is different, and that there's no one-size fits all approach when it comes to superannuation. That's why

we offer a range of accounts to ensure our members are able to tailor their superannuation to suit their individual needs, while taking into account their personal level of comfort with risk and their insurance and retirement income needs. At QSuper we believe in keeping abreast

of industry trends, and regularly review our product offerings to ensure we continue to deliver innovative and flexible accounts to our members, regardless of their stage of life.



We offer a range of accounts to ensure our members are able to tailor their superannuation to suit their individual needs...

Accumulation account

A QSuper Accumulation account caters for members both during and after their employment with the Queensland Government. 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 through individual employer arrangements. Spouses can also open an account.

An Accumulation account lets members actively participate in the growth of their superannuation by selecting investments that suit their attitude to risk and return. Our default investment option is the Balanced option, and members' funds are directed to this option when we do not receive any specific investment direction from a member.

QSuper's Accumulation account has been awarded a platinum rating by SuperRatings, placing it in the top 15% of funds in the country.



Accumulation account	2006/2007	2007/2008
Membership	453,091	484,952
Income protection benefits paid	1,297	1,694
Rollovers to QSuper	32,937	34,367
Members making voluntary contributions	72,814	81,326
Accumulation accounts opened via spouse deposits	1,796	1,153
Income		
Contribution	\$3,225.3m	\$3,447.5m
Investment	\$1,866.1m	(\$657.3m)
Miscellaneous	\$0.3m	\$0.2m
Total	\$5,091.7m	\$2,790.4m
Expenditure	\$1,596.8m	\$1,632.4m
Balance of accounts ¹	\$14,566.5m	\$15,724.5m

¹These amounts include some reserves held by the Queensland Government for superannuation.

Our products

(continued)

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 employees of the Queensland Government have the option of transferring to a Defined Benefit account.

Employers contribute at a rate that, when combined with member contributions and investment returns, ensures there is enough money to pay members' benefits when they're needed. Employer contributions are not paid directly into individual member accounts – instead they are paid into a pool held by the Queensland Government, which is used to pay the benefits of Defined Benefit members as required.

Defined Benefit account	2006/2007	2007/2008
Membership	136,475	128,535
Benefit payments		
Age retirement	3,349	3,535
Permanent disability	483	266
Resignation	4,154	3,068
Retrenchment	383	300
Total	8,369	7,169
Income protection benefits paid	1,666	1,681
Income		
Contribution	\$600.0m	\$2,269.7m
Investment	\$1,002.3m	(\$118.1m)
Miscellaneous	\$0.5m	\$79.0m
Total	\$1,602.8m	\$2,230.6m
Expenditure	\$1,727.2m	\$2,310.3m
Balance of accounts	\$8,379.6m	\$8,299.9m
Crediting rate	16.30% ²	-3.61%

²Last year we reported the QSuper Board of Trustees determined a crediting rate of 14.18%. However the actual rate applied, which will stay in effect, was 16.30%.

Product growth

The growth of accumulation funds in comparison to defined benefit funds has steadily continued. This is because the Accumulation account is the default account for new members, and also because retiring members often convert their Defined Benefit, State, or Police accounts to an Accumulation account.

Allocated Pension account

An Allocated Pension account allows members to invest their QSuper benefit in an accumulation-style account, where they can earn a return linked to their selected investment option while drawing a regular pension. The pension is paid until the member's investment balance is exhausted.

Transition to retirement

Members who are interested in utilising a transition to retirement strategy can do so by opening and drawing an income from a QSuper Allocated Pension account.

The transition to retirement option was implemented by QSuper in July 2006 and as at 30 June there were 1,748 members utilising this strategy.

These members and their balances are included in the information for Allocated Pension accounts.



State and Police account

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

In a State or Police account, a member's employer contributes at a rate that, when combined with member contributions and investment returns, ensures there's enough money to pay members' benefits when they're needed. Employer contributions are not paid directly into individual member accounts – instead they are paid into a pool of money held by the Queensland Government which is used to pay the benefits of State and Police members as required.

Allocated Pension account	2006/2007	2007/2008
Membership	9,111	13,261
New accounts opened	2,054	4,571
Income		
Contribution	\$649.4m	\$1,621.8m
Investment	\$310.9m	(\$220.9m)
Total	\$960.3m	\$1,400.9m
Expenditure	\$261.7m	\$402.3m
Balance of accounts	\$2,533.2m	\$3,531.8m

State and Police account	2006/2007	2007/2008
Membership	1,750	1,618
Benefit payments		
Age retirement	83	81
Ill-health retirement	2	2
Death	1	1
Resignation	7	8
Retrenchment	9	12
Total	102	104
Income protection benefits paid	34	30
Income	Included in Defined Benefit account	
Expenditure	Included in Defined Benefit account	
Balance of accounts	Included in Defined Benefit account	
Crediting rate	Resignation 13.78%	Resignation -4.01%
	Preserved 14.18%	Preserved -3.61%

Appendix

2007/2008 Annual report of the QSuper Board of Trustees

The Board of Trustees of QSuper (the Board) is committed to high standards of corporate governance. The governance of QSuper is driven by the Board's desire to act in good faith, with foresight, and in the best interests of members and their dependants.

Board policies

QSuper Board members must act in accordance with the covenants of section 52 of the *Superannuation Industry (Supervision) Act 1993*. In accordance with industry standards and regulatory requirements, the Board has introduced a range of policies which will guide QSuper's corporate governance practices, including:

- A Fit and Proper Policy, which establishes the minimum standards of fitness and propriety required of Board members and other Responsible Officers. This policy stipulates the minimum competencies required, the assessment and confirmation procedures, as well as the ongoing training requirements.
- An established Code of Conduct, which guides the ethical and behavioural expectations of the Board.
- A Conflict of Interest Policy, which includes procedures for the Board to identify and resolve any entity level conflicts of interest. Board members must also disclose potential personal conflicts of interest and may be excluded from participating in discussions on matters where a potential conflict exists.

Compliance with these policies is monitored and periodically audited.

QSuper Limited is a wholly owned subsidiary of QSuper and Directors of QSuper Limited must act in accordance with the company constitution and the *Corporations Act 2001*. In addition, QSuper Limited has a range of policies which are aimed at ensuring the effective and efficient operation of the company, as well as supplementing QSuper's corporate governance practices.

Composition and appointment of the Board

Established under the *Superannuation (State Public Sector) Act 1990* (QSuper Act), membership on the QSuper Board was increased from ten to twelve appointed Trustees in 2007/2008. This increase enabled broader representation of QSuper's membership, while maintaining equal representation of employer and member representative entities. The six employer representatives are appointed by the Treasurer. Of the six member representatives, one is nominated by the Australian Workers' Union, Queensland, and the remainder are nominated by the Queensland Council of Unions.

The Treasurer, as Minister, appoints a Trustee as Chairperson following consultation with the QSuper Board. Trustees serve on the QSuper Board for a term of three years, after which they may be nominated for re-appointment.

Members of the Board of QSuper are also Directors of QSuper Limited. This ensures they retain control over the services provided to QSuper members, and ensures an ongoing commitment to providing a contribution to the quality of each member's life through low fees, real service, better knowledge, and solid returns.

Remuneration of the Board

During 2007/2008, the Board was remunerated in accordance with rates approved by the Minister in consultation with the Board, and this remuneration represents an all-inclusive fee encompassing all QSuper Board related activities (including committee memberships and QSuper Limited directorship). Board members, who are also employees of the Government, are not remunerated for their Trustee duties.

Queensland Government nominated representatives

Mr Gerard Bradley, Chairman

B.Comm, postgrad Dip Adv Acc, CPA, FCA, FAICD, FAIM

Under Treasurer of Queensland, Under Secretary of Queensland, Chairman of the QSuper Board (appointed August 1998) and Chairman of the Board of QSuper Limited (appointed May 2007)

Experience:

- employed in the Queensland and South Australian Treasury departments for the past 30 years
- Director of Queensland Treasury Holdings Proprietary Limited
- Director of Queensland Water Infrastructure Pty Ltd
- Chairman of the Investment Committee.

Mr John Carpendale

BA, FFin, FASFA, GAICD, JP (C.Dec)

Chairman, Summerland Credit Union and Summerland Financial Planning, Trustee on the QSuper Board (appointed June 2006), and Director on the Board of QSuper Limited (appointed May 2007)

Experience:

- 39 years experience with QSuper, including five years as Deputy Executive Director of the Government Superannuation Office
- former Manager Operations, Deputy Executive Officer, and Complaints Officer of the Queensland Local Government Superannuation Board
- Chairman of both the Licensing and Marketing and Communication Committees
- member of the Investment Committee.

Mr Peter Henneken

BBus, BA

Director-General, Department of Employment and Industrial Relations, Trustee on the QSuper Board (appointed December 2007), and Director on the Board of QSuper Limited (appointed December 2007)

Experience:

- 18 years experience with the Department of Employment and Industrial Relations
- Deputy Chair of Workers' Compensation Regulatory Authority (Q-COMP)
- Chairman of the Portable Long Service Leave Authority (QLeave) Board and the Contract Cleaning Industry Long Service Leave Board
- member of both the Investment and Insurance Claims Management Committees.

Ms Terri Hamilton

LLB, DFP, FAICD

Director, Terri Hamilton Financial Consulting Services, Trustee on the QSuper Board (appointed June 2000), and Director on the Board of QSuper Limited (appointed May 2007)

Experience:

- extensive senior management and consultancy experience in the financial services industry
- Director of Ergon Energy Corporation Limited
- Director of Queensland Teachers' Union Health Fund Limited
- member ASIC Regional Liaison Committee (Qld)
- former Director of the Association of Superannuation Funds of Australia (ASFA)
- Chair of the Audit and Risk Committee
- member of both the Licensing and Investment Committees.

Ms Natalie MacDonald

BA, MBA, M.Comm

Director-General, Queensland Department of Housing, Director, Australian Housing and Urban Research Institute, Trustee on the QSuper Board (appointed December 2007), and Director on the Board of QSuper Limited (appointed December 2007)

Experience:

- over 20 years experience in the Commonwealth and State public sectors
- held positions with the former Commonwealth Department of Employment, Education and Training, AUSTRADE, and the Queensland Ambulance Service
- member of the Licensing, Investment, and Marketing and Communication Committees.

Mr Bob Scheuber, AM

BE, B.Bus, FCPA, FAIM, MAICD, JP (C.Dec)

Managing Director, Bob Scheuber Resources, Director, Rail and Transport Health Fund Limited, Director, CRC Rail Limited, Trustee on the QSuper Board (appointed December 2007), and Director on the Board of QSuper Limited (appointed December 2007)

Experience:

- extensive senior management experience with Queensland Rail in a number of roles culminating in Chief Executive Officer
- Fellow of the Australian Society of CPAs and the Australian Institute of Management
- member of both the Investment and Audit and Risk Committees.

Appendix (continued)

Former Queensland Government nominated representatives

Ms Linda Apelt

MEd, MAICD

Director-General, Department of Communities and Disability Services Queensland, Trustee on the QSuper Board (December 2001 to November 2007), and Director on the Board of QSuper Limited (May 2007 to November 2007)

Mr Tony Hawkins

B.Com, DipFinMan, FCPA

Chief Executive Officer, Workcover Queensland, Trustee on the QSuper Board (December 2001 to November 2007), and Director on the Board of QSuper Limited (May 2007 to November 2007)

Member Entity nominated representatives

Ms Gay Hawksworth

RN, Dip.Nursing

State Secretary, Queensland Nurses' Union, Trustee on the QSuper Board (appointed December 2007), and Director on the Board of QSuper Limited (appointed December 2007)

Experience:

- extensive involvement with the Queensland Nurses' Union since 1982
- Senior Vice President of Queensland Council of Unions
- Executive Member of Australian Nursing Federation
- former Executive Member of ACTU
- member of both the Investment and Marketing and Communications Committees.

Mr Tom Jeffers

Vice President, Australian Workers' Union, Queensland, Trustee on the QSuper Board (appointed December 2007), and Director on the Board of QSuper Limited (appointed December 2007)

Experience:

- extensive involvement with the Australian Workers' Union since 1990 in roles which include the maintenance and improvements of Awards and Agreements through negotiation with major employers
- member of the Audit and Risk, Investment, and Insurance Claims Management Committees.

Mrs Karen Peut, PSM

MAICD

Executive Director, Department of Main Roads, Trustee on the QSuper Board (appointed May 1985), and Director on the Board of QSuper Limited (appointed May 2007)

Experience:

- former Director of Queensland Motorways Limited
- over 40 years experience with the Department of Main Roads
- life member of the Queensland Public Sector Union
- delegate of the Combined Public Sector Unions' Superannuation Committee
- Chair of the Insurance Claims Management Committee
- member of the Investment Committee.

Mr Steve Ryan

President, Queensland Teachers' Union, Trustee on the QSuper Board (appointed June 1994), and Director on the Board of QSuper Limited (appointed May 2007)

Experience:

- Executive Member of the Queensland Teachers' Union since 1993 and a senior officer of the Union since 2000
- Director of Q Invest Limited
- member of the Licensing, Investment, and Marketing and Communications Committees.

Former Member Entity nominated representatives

Mr Chris Barrett

BLST

Assistant General Secretary, Queensland Council of Unions, Trustee on the QSuper Board (April 2001 to April 2008), and Director on the Board of QSuper Limited (May 2007 to April 2008)

Mr Denis Fitzpatrick

Snr Sgt

General Vice President, Queensland Police Union of Employees, Trustee on the QSuper Board (August 2007 to June 2008), and Director on the Board of QSuper Limited (August 2007 to June 2008)

Mr Garry Ryan

Queensland Branch President and Southern District Secretary, Australian Workers' Union of Employees, Trustee on the QSuper Board (June 2002 to July 2007), and Director on the Board of QSuper Limited (May 2007 to July 2007)

Mr Gary Wilkinson

General President, Queensland Police Union of Employees, Trustee on the QSuper Board (August 1997 to July 2007)

Board and management responsibilities

The QSuper Board generally meets on a monthly basis. Throughout the course of the 2007/2008 financial year, eleven meetings were held. The Board delegates the day-to-day administration of QSuper to the management of QSuper Limited, including the Chief Executive Officer and Executive Committee. However, the Board retains responsibility for the operation of QSuper and receives regular reports from QSuper Limited management. The Board also has procedures in place to ensure that the Executive Committee is appropriately qualified and experienced to discharge their responsibilities.

QSuper and QSuper Limited have established policies and procedures which ensure the Board, management, and staff meet high standards of professionalism and integrity, and adhere to industry standards 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. The Secretary to the Boards is the QSuper Limited Chief Financial Officer.

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 a charter setting out the matters relevant to its composition, responsibilities, and administration. While committees have specific membership, all Trustees are able to attend.

During 2007/2008, the following committees were constituted by the QSuper Board:

- Insurance Claims Management Committee
- Investment Committee
- Marketing and Communication Committee
- Audit and Risk Committee (joint QSL Committee)
- Licensing Committee (joint QSL Committee).

Insurance Claims Management Committee

Members:

- Mrs Karen Peut (Chair)
- Mr Tom Jeffers
- Mr Peter Henneken.

The committee oversees the insurance 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.

Investment Committee

Members:

- All Trustees are members of the Investment Committee and Mr Gerard Bradley is the Committee Chair.

The committee provides assistance to the Board to discharge its investment oversight in relation to the Fund.

Marketing and Communication Committee

Members:

- Mr John Carpendale (Chair)
- Mr Steve Ryan
- Ms Natalie MacDonald
- Ms Gay Hawksworth.

The committee reviews marketing strategies and timeframes for their implementation, as well as QSuper's member communication and publications.

Appendix (continued)

Audit and Risk Committee

Members:

- Ms Terri Hamilton (Chair)
- Mr Bob Scheuber
- Mr Tom Jeffers
- Mr Walter Ivessa, Assistant Under Treasurer.

This is a joint QSuper and QSuper Limited committee, which assists the Boards in discharging their governance and administrative responsibilities. The committee's role includes:

- reviewing the management of risk, including overseeing the QSuper and QSuper Limited risk registers and ensuring appropriate internal controls are in place to address those risks
- monitoring each entity's compliance with legislative requirements
- reviewing internal and external audit findings and monitoring the implementation of audit recommendations
- approval of actions taken to resolve and/or report non-compliance and resolve significant audit findings
- reviewing financial statements.

Licensing Committee

Members:

- Mr John Carpendale (Chair)
- Ms Natalie MacDonald
- Ms Terri Hamilton
- Mr Steve Ryan.

This joint committee provides assistance to the Boards and QSuper Limited management in applying for QSuper to become a regulated fund and QSuper Limited for an Australian Financial Services (AFS) Licence.

Board meeting attendance record

Trustee	Board meetings		Insurance Claims Management Committee		Investment Committee		Marketing and Communication Committee		Audit and Risk Committee		Licensing Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Gerard Bradley	11	8	-	-	11	8	-	-	-	-	-	-
John Carpendale	11	10	-	-	11	10	4	4	-	-	2	2
Terri Hamilton	11	10	-	-	11	10	-	-	5	5	2	2
Gay Hawksworth	6	4	-	-	6	4	2	1	-	-	-	-
Peter Henneken	6	6	2	2	6	6	-	-	-	-	-	-
Tom Jeffers	10	9	2	2	10	9	-	-	2	2	-	-
Natalie MacDonald	6	6	-	-	6	6	2	2	-	-	-	-
Karen Peut	11	10	3	3	11	10	-	-	-	-	2	2
Steve Ryan	11	10	-	-	11	10	4	3	-	-	2	1
Bob Scheuber	6	6	-	-	6	6	-	-	2	2	-	-
Former Trustees												
Linda Apelt	5	3	-	-	5	3	-	-	-	-	-	-
Chris Barrett	9	7	1	1	9	7	-	-	3	3	2	2
Denis Fitzpatrick	10	5	2	0	10	5	-	-	-	-	-	-
Tony Hawkins	5	5	1	1	5	5	-	-	-	-	-	-
Garry Ryan	-	-	-	-	-	-	-	-	-	-	-	-
Gary Wilkinson ¹	1	1	-	-	1	1	-	-	-	-	-	-
Other representatives												
Walter Ivessa	-	-	-	-	-	-	-	-	5	4	-	-

¹Gary Wilkinson's deputy (Merv Bainbridge) attended.

QSuper Limited Executive Committee

Chaired by the Chief Executive Officer, the Executive Committee includes the Chief Financial Officer, Chief Operating 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 Board.

The Executive Committee is supported by three key decision making committees, which meet monthly.

Product Innovation and Management Committee

This committee tracks product performance and the execution of the strategic plan, and reports to the Chief Strategy Officer.

Service Delivery Committee

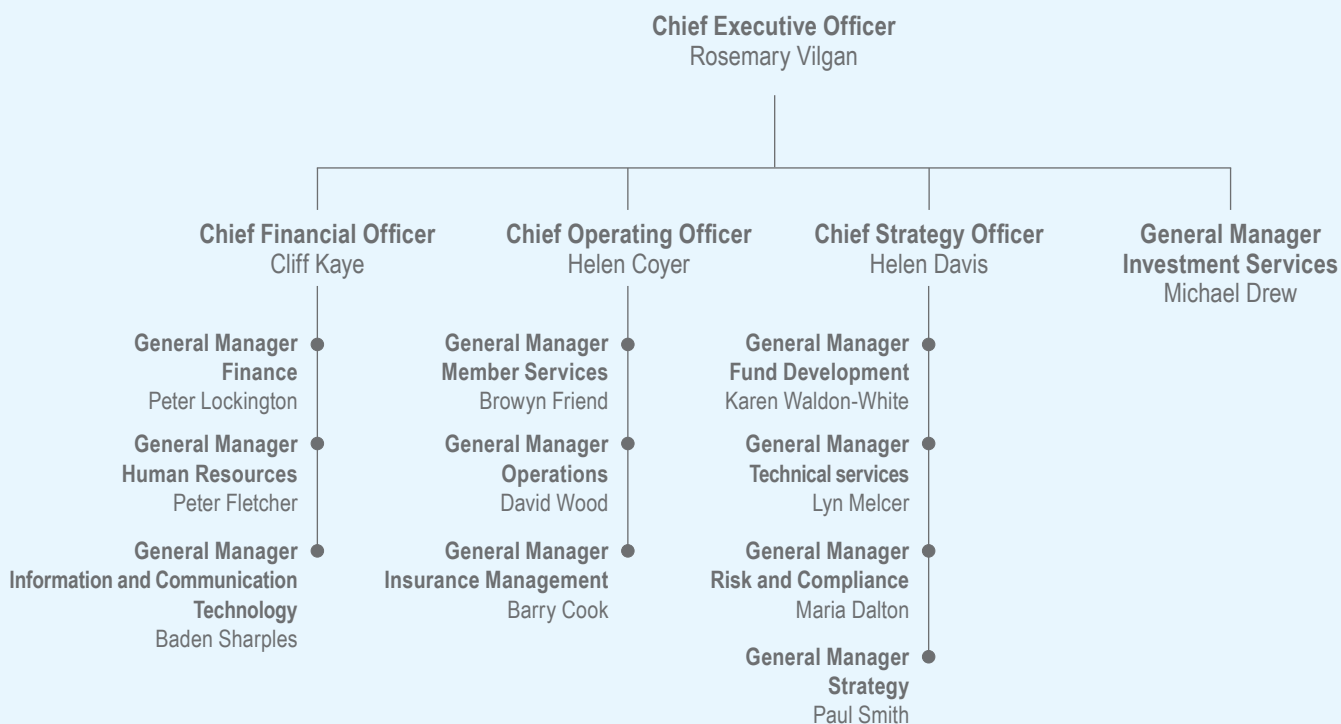
This committee tracks service delivery and reports to the Chief Operating Officer.

Business Services Committee

This committee is responsible for the systems and strategy surrounding the delivery of business support services across the office and is chaired by the Chief Financial Officer.

QSuper organisational chart

The chart below represents QSuper's organisational structure as at 30 June 2008.



Appendix (continued)

Risk management framework

As Trustee of a complex superannuation fund with significant funds under management, it is imperative that the Board has a comprehensive and rigorous risk management framework in place. The Board takes its risk management responsibilities seriously, and has devoted considerable effort to continually enhancing and improving this framework.

During 2007/2008, the Board continued to upgrade QSuper's risk management framework to align it with the relevant Australian standards, keep it at the leading edge of the industry, and be consistent with best practice. The framework enables the Board to operate prudently, make informed decisions, and protect the interests of its members. The major risks identified by the Board are incorporated into a combined Risk Management Strategy and Risk Management Plan (RMS/RMP), which is a formal document underpinning the Board's risk management framework. The Board oversees compliance with the RMS/RMP through regular reporting from its Audit and Risk Committee.

As outlined previously, QSuper is working towards becoming a regulated fund. The RMS/RMP are key components in obtaining a licence from the Australian Prudential Regulation Authority (APRA). The Strategy and Plan are audited each year and are the central focus of APRA's prudential reviews.

The Strategy and Plan are consistent with the Australian standard on risk management AS/NZS 4360:2004 and are based on the principles of:

- identifying, assessing, evaluating, and mitigating risks
- aligning risk management with the corporate governance structure and business strategy
- implementing and operating a risk monitoring system that results in better informed decisions.

QSuper's risk management consists of the following four complementary elements:

- internal risk management program
- compliance management program
- internal audit program
- external audit.

1. Internal risk management program

The Board periodically holds a risk workshop during which existing and emerging risks are considered and rated in terms of materiality. At this time, the Board may stipulate certain mitigations be implemented to maintain or reduce the final rating of the risk. The risk workshop and the development of the Board's risk management framework have been undertaken in co-operation with the fund's internal auditors, who are experienced in risk management and the implementation of best practice in the superannuation industry.

On a regular basis, responsible managers are required to certify that they have initiated appropriate controls to mitigate the above risks, and that the controls have operated effectively.

Consistent with good governance practice and accountability, reports on these certifications are then presented to the Audit and Risk Committee, which assesses whether the existing control structure is adequate, or whether additional action needs to be undertaken. The committee also monitors any incidents/breaches that may arise, as well as issues identified by internal and external auditors. The Audit and Risk Committee also oversees the implementation of audit recommendations.

Should QSuper become a regulated fund, any breach of the Risk Management Strategy and Risk Management Plan must be reported to APRA within 14 days of becoming aware that the breach occurred.

2. Compliance management program

As with the risk management framework, the Board significantly upgraded the compliance management program during 2007/2008. This was done to create a compliance model that would meet the expectations of regulators (should QSuper become Commonwealth regulated), as well as being consistent with industry best practice and the relevant Australian Standards.

This model involves more frequent monitoring of compliance obligations and attestation of compliance by responsible managers. Exception reporting is provided to the Audit and Risk Committee and Board, as outlined in the various policies governing operation of the risk and compliance frameworks.

3. Internal audit program

Following the risk workshop, the internal auditors determine their internal audit plan, which concentrates on the risks associated with QSuper's core business processes.

The intention is to minimise overlap between the coverage of the internal audit program and the coverage of the internal risk and compliance program. During 2007/2008, audits were conducted in the following areas:

- pensions
- contributions
- benefit statements
- information technology general control
- finance
- claims and benefits
- information to members
- insurance management
- simpler super system changes
- receipting system changes.

The recommendations of the internal auditors have been, or are in the process of being, implemented.

4. External audit – Queensland Audit Office (QAO)

The external auditor, QAO, audits both the QSuper and QSuper Limited financial statements.

QAO also reviews various aspects of the work performed by the internal auditor, in addition to reviewing the QSuper internal risk and compliance programs. QAO makes recommendations as to issues warranting further attention. Any such recommendations are considered and acted upon, following assessment by management, the Audit and Risk Committee, and the Board.

Fraud and ethics

QSuper has in place a Fraud and Corruption Control Policy, which was developed after considering the recommendations in the Australian standard on Fraud and Corruption Control AS8001. The policy establishes:

- a framework for the investigation and reporting of incidents assisting in the continuous development of a strong ethical corporate culture
- accountability structures within QSuper
- expectations of staff in terms of their conduct.

QSuper's culture promotes responsible and ethical behaviour from all staff. Periodic training maintains staff awareness of the importance of ethics. A program of ongoing monitoring aims to ensure any risks are identified and remedied quickly. Employees who have concerns with ethical issues or potential fraud are encouraged to report these to the CMC Liaison Officer or senior Risk and Compliance staff.

Whistleblower protection

The QSuper Fraud and Corruption Control Policy protects whistleblowers from reprisal and serves to encourage the responsible reporting of legitimate concerns. The Crime and Misconduct Commission also operates a whistleblower support program. These protections are also located in the *Whistleblowers Protection Act 1994*.

Corporate policies

Privacy

QSuper has in place a privacy management plan, which incorporates the eleven information privacy principles contained in the Queensland Government's *Information Standard 42*, which in turn is based on the Commonwealth Government's *Privacy Act 1988*. This plan is available by contacting QSuper, or accessing the QSuper website at qsuper.qld.gov.au.

QSuper may disclose personal information to third parties in the following circumstances:

- where consent to the disclosure is obtained
- where the law requires disclosure
- if disclosure is necessary to provide products and services.

As an example, QSuper members have access to financial planning services from Q Invest Limited, which is an organisation jointly owned by the QSuper Board of Trustees and QIC. Where a member chooses to utilise Q Invest Limited, QSuper receives an authority to pass personal information to Q Invest Limited.

Freedom of information

Members have a right to access and amend their personal information held by QSuper, as provided by the *Freedom of Information Act 1992 (Qld)*.

Other parties can also lodge a request, including individuals, media, solicitors, union representatives, and politicians. Such requests may only deal with information relating to themselves or their client, or general fund information. Requests for personal information are free. Other requests generally attract a fee of \$36.

Appendix (continued)

In some circumstances further charges may apply. Requests for information may be made in two ways:

1. A request for personal information relating to a person's QSuper membership can be handled under QSuper's administrative release process so long as the application is in writing and signed by the individual requesting their personal information.
2. Other requests are managed under the *Freedom of Information Act* by completing a *Queensland Treasury Freedom of Information* application form, or writing a letter requesting the information.

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. Requests lodged under the *Freedom of Information Act* must be officially acknowledged within 14 days of receipt and completed within 45 days of receipt. In instances where 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.

Major service providers

Administrator

QSuper Limited
63 George Street
Brisbane Qld 4000

Investment manager and investment consultant

QIC
Level 6, Central Plaza II
66 Eagle Street
Brisbane Qld 4000

Financial planning

Q Invest Limited
Level 8, Central Plaza II
66 Eagle Street
Brisbane Qld 4000

Internal auditor

Ernst & Young
Level 5, Waterfront Place
1 Eagle Street
Brisbane Qld 4000

External auditor

Queensland Audit Office
Level 11, Central Plaza I
345 Queen Street
Brisbane Qld 4000

Actuary

State Actuary
Level 2
33 Charlotte Street
Brisbane Qld 4000

Investment consultant

Watson Wyatt Australia Pty Limited
Level 4
1 Collins Street
Melbourne Vic 3000



State Public Sector Superannuation Fund

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State Public Sector Superannuation Fund

Statement of net assets

as at 30 June 2008

	Notes	2008 \$'000	2007 \$'000
ASSETS			
Cash	1(c)	44,503	33,734
Receivables			
Employer contributions receivable	1(d), 1(l)	20,381	4,008
Member contributions receivable	1(d), 1(l)	3,205	693
GST receivable	1(d), 1(e)	2,077	1,398
Interest receivable	1(d)	198	466
Sundry receivables and prepayments	1(d)	2,192	2,317
		28,053	8,882
Investments			
Investment in unit trusts	1(f), 4	24,741,485	23,334,499
Investment in Q Invest Limited	1(f), 5	565	528
Investment in QSuper Limited	1(f), 6	29,488	10,000
		24,771,538	23,345,027
Deferred tax asset	1(i), 14	173,674	-
TOTAL ASSETS		25,017,768	23,387,643
LIABILITIES			
Payables			
Benefits payable	1(g)	15,562	11,539
Administration and investment management fees payable	1(h), 15	15,170	11,782
Sundry payables	1(h)	744	694
		31,476	24,015
Tax liabilities			
Current tax liabilities	1(i)	244,958	1,242
Deferred tax liability	1(i), 14	48,867	585,121
Provision for superannuation contributions surcharge	1(j)	77,734	79,035
		371,559	665,398
TOTAL LIABILITIES		403,035	689,413
NET ASSETS AVAILABLE TO PAY BENEFITS		24,614,733	22,698,230
Represented by:			
Reserves	9	575,571	665,486
Accumulated funds	10	24,039,162	22,032,744
NET ASSETS AVAILABLE TO PAY BENEFITS		24,614,733	22,698,230

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

Statement of changes in net assets

for the year ended 30 June 2008

	Notes	2008 \$'000	2007 \$'000
NET ASSETS AVAILABLE TO PAY BENEFITS at the beginning of the financial year		22,698,230	19,057,472
Investment revenue			
Distributions from unit trusts	1(l), 4	(626,846)	2,646,233
Change in net market value of investments	1(l), 11	(277,849)	183,432
Investment management fees	15(f)	(38,054)	(27,194)
Interest revenue	1(l)	1,971	1,423
		(940,778)	2,803,894
Contribution revenue			
Employer contributions	1(l), 12	3,075,303	1,206,254
Member contributions	1(l), 13	1,112,419	1,199,363
Transfers from other funds	1(l)	512,658	477,635
		4,700,380	2,883,252
Other revenue			
Insurance recoveries	1(l)	–	275
Sundry revenue	1(l)	1,069	540
Gain from net assets transferred in	3	78,200	–
		79,269	815
Total revenue		3,838,871	5,687,961
Less:			
Benefits paid		2,027,051	1,370,516
General administration expenses			
Administration fee	15(d)	54,527	48,051
Financial planning fee	15(e)	12,684	11,403
Superannuation contributions surcharge	1(j)	5,135	11,464
Insurance premiums		1,656	1,731
		74,002	72,649
Total expenses		2,101,053	1,443,165
Total change in net assets before income tax		1,737,818	4,244,796
Income tax expense	14	(178,685)	604,038
Total change in net assets after income tax		1,916,503	3,640,758
NET ASSETS AVAILABLE TO PAY BENEFITS at the end of the financial year		24,614,733	22,698,230

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 2008

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* (AAS 25), other applicable Australian Accounting Standards and authoritative pronouncements of the Australian Accounting Standards Board, and the provisions of the *Superannuation (State Public Sector) Deed 1990*.

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) Statement of compliance

The financial statements comply with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Since AAS 25 is the principal standard that applies to the financial statements, other standards, including AIFRS, are also applied where necessary except to the extent that they differ from AAS 25.

These financial statements have been prepared as separate financial statements, and do not consolidate the financial statements of the Fund's wholly owned subsidiary, QSuper Limited. AASB 1031 *Materiality* has been applied in determining that the investment in the subsidiary and the transactions of the subsidiary are not material, and therefore AASB 127 *Consolidated and Separate Financial Statements* has not been applied.

(c) Cash

Cash represents cash at bank.

(d) Receivables

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

(e) Goods and services tax (GST)

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

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

(f) Investments

The State Public Sector Superannuation Fund (Fund) maintains investments for the long-term purpose of providing benefits to members upon 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 4). 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.

The Fund has a 50% interest in Q Invest Limited (refer note 5) and a 100% interest in QSuper Limited (refer note 6).

There has been a change in accounting policy with regards to the measurement of the Fund's direct investments in Q Invest Limited and QSuper Limited. Previously, Q Invest Limited was measured at an external valuation amount plus any additional share acquisitions, while QSuper Limited was measured at historical cost. Both investments are now measured at the Fund's share of net assets at reporting date based on holdings. This is achieved by adjusting the carrying amount of the investment to reflect the share of net assets of the investment for that period. This approximates net market value.

Notes to the financial statements

for the year ended 30 June 2008

Note 1 Significant accounting policies (continued)

(g) 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*.

(h) 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.

(i) Taxation

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

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

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantially enacted at the statement of net assets date and any adjustment to tax payable in respect of previous years.

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

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

(j) Superannuation contributions surcharge

Superannuation contributions surcharge was levied on surchargeable contributions on the basis of individual members' adjusted taxable incomes. The liability for the superannuation contributions surcharge is recognised when the assessment is received from the Australian Taxation Office as the QSuper Board of Trustees (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.

The *Superannuation Laws Amendment (Abolition of Surcharge) Act 2005* abolished both the superannuation contributions surcharge and the termination payments surcharge in respect of superannuation contributions and certain termination payments made or received on or after 1 July 2005. Assessments for surcharge in respect of contributions and payments for the year ended 30 June 2005 and prior years will continue to be issued and remain payable.

(k) Liability for accrued benefits

Defined Benefit account

The liability for accrued defined benefits is actuarially measured on at least a triennial basis. This liability represents 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 7).

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 2008

Note 1 Significant accounting policies (continued)

(I) 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 investments 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, gross of any tax, 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.
- Interest income and sundry revenue is accounted for on an accrual basis.

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 13). 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 13.

The Fund is administered by QSuper Limited (refer note 15).

Note 3 Merger of the Parliamentary Contributory Superannuation Fund

The *Superannuation (State Public Sector) Amendment Act 2007* (Amendment Act), which received assent on 28 February 2007, amended the *Superannuation (State Public Sector) Act 1990*. The relevant provisions of the Amendment Act commenced on 1 July 2007 and provided for the transfer of the Parliamentary Contributory Superannuation Fund members and assets to the Fund, discontinuation of the Parliamentary Contributory Superannuation Fund and the dissolution of the body corporate immediately prior to the repeal of the *Parliamentary Contributory Superannuation Act 1970*.

Consequently the statement of changes in net assets shows a gain from net assets transferred in of \$78,200,000, this being the net asset position of the Parliamentary Contributory Superannuation Fund that merged at midnight on 30 June 2007.

Notes to the financial statements

for the year ended 30 June 2008

Note 4 Investment in unit trusts

	Notes	2008 \$'000	2007 \$'000
Queensland Investment Trust (QIT) No. 1	(i)	15,013,637	14,209,466
Queensland Investment Trust (QIT) No. 2	(ii)	5,630,987	5,733,051
QIC Growth Fund	(ii)	76,883	–
QIC Property Fund	(iii)	2,360,163	2,213,357
QIC Cash Fund	(iii)	242	3,291
QIC International Property Fund	(iii)	411,618	421,676
QIC Diversified Infrastructure Fund No. 1	(iii)	432,162	362,389
QIC International Property Development Trust	(iii)	773	956
QIC Strategy Fund No. 1	(iii)	606,234	282,751
QIC Private Equity Fund No. 1	(iii)	208,786	107,562
Investments in unit trusts – QIC		24,741,485	23,334,499

(i) Funds held in relation to Allocated Pension and Accumulation account members.

(ii) Funds held in relation to Defined Benefit account members only.

(iii) Funds held in relation to Accumulation, Defined Benefit, and Allocated Pension account members.

Investments held with QIC

The Board 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.

One new unit trust, the QIC Growth Fund, was transferred into the Fund during the year as a consequence of the merger of the Parliamentary Contributory Superannuation Fund.

Notes to the financial statements

for the year ended 30 June 2008

Note 4 Investment in unit trusts (continued)

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

International shares

Aletheia Research and Management Incorporated (USA)
Alliance Bernstein Investment Management Australia Limited (Global)
Altrinsic Global Advisors, LLC (Global)
AQR Capital Management, LLC (Global)
Arnhold and S. Bleichroeder Advisers, LLC (USA)
AXA Rosenberg Investment Management Asia Pacific Ltd (Europe)
City of London Investment Management Company Limited (Global)
Clarivest Asset Management, LLC (Global)
Henderson Global Investors Ltd (Global)
IronBridge Capital Management, LP (Global)
Ironwood Investment Management, LLC (USA)
KV Services Limited (Europe)
Lazard Asset Management Pacific Co (Global)
Legg Mason International Equities (Singapore) Pte Ltd (Asia ex Japan)
Numeric Investors, LLC (USA)
Pengana Capital Ltd (Global)
Sandringham Capital Partners Ltd (Japan)
State Street Global Advisors, Australia, Limited (Global)
Skyhawk Capital Management, LLC (USA)
Wellington Management Company, LLP (Global)
Vanguard Investments Australia Ltd (Global)
Yeoman Capital Management Pte Ltd (Asia)

Commodities

AIG Financial Products Corp.
Goldman Sachs JB Were Financial Markets Pty Ltd
Merrill Lynch Commodities, Inc.
Deutsche Bank AG, Sydney

Domestic shares

AXA Rosenberg Investment Management Ltd
Macquarie Funds Management
Schroder Investment Management Australia Limited
State Street Global Advisors, Australia, Limited
Vanguard Investments Australia Ltd

Global macro

The Bank of New York Capital Markets Limited (UK)
Barclays Global Investors Australia Limited
Bridgewater Associates Inc (USA)
FDO Partners, LLC (USA)
First Quadrant, LP (USA)
Deutsche Asset Management (Australia) Limited (Global)
Goldman Sachs Asset Management (USA)

Global fixed interest

Ashmore Investment Management Ltd (Global)
Blackrock Financial Management Inc (Global)
Blue Bay Asset Management plc (Global)
Goldman Sachs JB Were Investment Management (Global)
PIMCO Australia Pty Ltd (Global)
Putnam Advisory Company, LLC (Global)

Socially responsible

AMP Capital Investors Limited

Managed Funds

Makena Capital Management, Inc. (Global)

Incubator Assets

Northwater Capital Management Inc. (Global)

Notes to the financial statements

for the year ended 30 June 2008

Note 5 Investment in Q Invest Limited

The Fund holds a 50% interest in Q Invest Limited. Q Invest Limited's principal activities consist of acting as a licensed dealer in securities, providing financial planning advice, and acting as the responsible entity for the Q Invest Investment Access Funds. The reporting value of the investment as at 30 June 2008 approximates net market value.

Note 6 Investment in QSuper Limited

QSuper Limited was established on 4 May 2007 and the Board purchased a 100% interest in the company on that date. QSuper Limited's principal activities consist of providing key administration services to the Fund as well as ancillary services to Queensland Treasury. The reporting value of the investment as at 30 June 2008 approximates net market value.

Note 7 Liability for accrued benefits

The last actuarial review of the Fund was conducted as at 30 June 2007 by the State Actuary, Mr W H Cannon BSc (Hons) FIAA. The value of accrued benefits as at that date was \$39,557,330,000. 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 13.

The next actuarial review of the Fund will be performed as at 30 June 2010. The results of this review will be reported in the 30 June 2011 financial statements.

Note 8 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.

	2008 \$'000	2007 \$'000
Vested benefits	44,015,956	41,803,487

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 13).

The value of vested benefits as at 30 June 2007 is that reported by the actuarial investigation as at that date and differs from that reported in the financial statements in the prior year. The difference has arisen due to changes in the actuarial assumptions underlying the value of the vested benefits in accordance with the most recent actuarial valuation of the Fund. The value of vested benefits reported in the prior year was \$40,854,285,000.

Notes to the financial statements

for the year ended 30 June 2008

Note 9 Reserves

	Balance at beginning of financial year \$'000	Transfers (to)/from accumulated funds \$'000	Balance at end of financial year \$'000
General	519,607	(111,520)	408,087
Investment fluctuation	1,529	3,459	4,988
Insurance	144,350	18,146	162,496
Reserves	665,486	(89,915)	575,571

General reserve: this reserve is used to fund taxation, and general administrative and operational 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 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 insurance benefits to members. These insurance benefits are greater than the members' vested benefit. This reserve holds insurance premiums collected from members to meet these Fund insurance expenses. The premium rates are reviewed by the State Actuary and set by the Board.

Note 10 Accumulated funds

Notes	2008 \$'000	2007 \$'000
Balance at the beginning of financial year	22,032,744	18,579,232
Total change in net assets after income tax	1,916,503	3,640,758
Transfers (to)/from reserves	89,915	(187,246)
Balance at end of financial year	24,039,162	22,032,744
Represented by:		
Accumulated member funds	23,020,915	21,922,881
Accumulated employer funds (i)	1,018,247	109,863
Accumulated funds	24,039,162	22,032,744

(i) Employer contributions received to date from the Treasurer transferred from the Consolidated Fund.

Note 11 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.

Notes to the financial statements

for the year ended 30 June 2008

Note 12 Employer contributions

	Notes	2008 \$'000	2007 \$'000
<i>Accumulation account</i>			
Employer contributions		1,037,701	891,657
<i>Defined Benefit account</i>			
Employer contributions – salary sacrifice		437,602	314,597
Employer contributions – Consolidated Fund	(i)	1,600,000	–
		2,037,602	314,597
Employer contributions		3,075,303	1,206,254

Employer salary sacrifice contributions in the Defined Benefit account represent standard contributions members have chosen to salary sacrifice. Salary sacrificed contributions are classified as employer contributions. Refer to note 13 for further details in relation to employer contribution funding arrangements.

(i) Contributions received from the Treasurer transferred from the Consolidated Fund.

Note 13 Funding arrangements

Defined Benefit arrangement

Standard members' contributions are made to the Fund at a rate ranging from 2% to 11.5% (2007: 2% to 9%) of members' salaries.

Employing authorities are required to remit defined benefit employer contributions (excluding salary sacrifice 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 defined 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 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 *Superannuation (State Public Sector) Act 1990* allows the transfer of amounts from the Consolidated Fund to the Fund in circumstances and at times other than funding the immediate payment of benefits. Transfers occurred monthly from November 2007 to June 2008, when amounts of \$200 million were transferred to the Fund from the Consolidated Fund each month (2008 total \$1.6 billion, 2007: nil). These transfers are considered to approximate last minute funding.

Accumulation arrangement

Where members have chosen an accumulation-style benefit, all member and employer contributions are paid to 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 above-mentioned last minute funding arrangement. Employer contributions to the Fund for members who do not contribute are at a rate ranging from 3% to 9% (2007: 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 18%. Non-core employers may choose to enter into special arrangements that may differ from these standard arrangements. Members may also choose to pay additional voluntary contributions.

Notes to the financial statements

for the year ended 30 June 2008

Note 14 Income tax expense

Major components of income tax expense are:

	2008 \$'000	2007 \$'000
<i>Current income tax</i>		
Current income tax expense	527,527	241,452
Adjustments in respect of current income tax of previous years	3,716	(769)
<i>Deferred income tax</i>		
Movement in deferred tax assets	(173,674)	363,355
Movement in deferred tax liabilities	(536,254)	–
Income tax expense reported in statement of changes in net assets	(178,685)	604,038

A reconciliation between income tax expense and the accounting profit before income tax multiplied by the applicable tax rate is as follows:

Increase in net assets before income tax	1,737,818	4,244,796
At the tax rate of 15%	260,673	636,719
<i>Tax effect of non-deductible expenses and non-assessable income in calculating the taxable amount</i>		
Return on investments	398,626	(215,347)
Benefits paid	304,057	205,577
Members' contributions	(160,572)	(174,482)
Transfers from other superannuation schemes	(75,028)	(69,768)
Superannuation contributions surcharge	770	1,720
Unrealised capital gains	(710,591)	363,078
Notional premium for death or disability cover	(29,250)	(37,800)
Net imputation and foreign tax credits	(119,463)	(78,623)
Other differences	(51,623)	(26,267)
	(182,401)	604,807
Under/(over) provision for taxation – prior year	3,716	(769)
Income tax expense reported in statement of changes in net assets	(178,685)	604,038

State Public Sector Superannuation Fund
Notes to the financial statements
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Note 14 Income tax expense (continued)

Deferred income tax relates to the following:

	2008 \$'000	2007 \$'000
<i>Movements in deferred income tax asset</i>		
Opening balance	–	–
Change to statement of changes in net assets	173,674	–
	173,674	–
<i>Deferred income tax asset comprises:</i>		
Quarantined capital losses	172,116	–
Quarantined foreign tax credits	1,558	–
Total deferred tax asset	173,674	–
<i>Movements in deferred income tax liability</i>		
Opening balance	585,121	221,766
Change to statement of changes in net assets	(536,254)	363,355
	48,867	585,121
<i>Deferred income tax liability comprises:</i>		
Contributions receivable	3,057	601
Investment income receivable	30	70
Unrealised gains in investment subject to capital gains tax	45,780	584,450
Total deferred tax liability	48,867	585,121

Note 15 Related parties

(a) Trustees

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

<i>Member representatives</i>	<i>Employer representatives</i>
Ms Karen Shirley Peut	Mr Gerard Patrick Bradley
Mr Stephen Robert Ryan	Ms Teresa Mary Hamilton
Mr Kilian Thomas Jeffers (appointed August 2007)	Mr John Joseph Carpendale
Ms Lorraine Gay Hawksworth (appointed December 2007)	Mr Peter Henneken (appointed December 2007)
Mr Gary John Wilkinson (resigned August 2007)	Ms Natalie Margaret MacDonald (appointed December 2007)
Mr Christopher John Barrett (resigned April 2008)	Mr Robert Ernest Scheuber (appointed December 2007)
Mr Garry John Ryan (resigned July 2007)	Ms Linda Anne Apelt (resigned November 2007)
Mr Dennis Raymond Fitzpatrick (appointed August 2007, resigned June 2008)	Mr Anthony John Hawkins (resigned November 2007)

Notes to the financial statements

for the year ended 30 June 2008

Note 15 Related parties (continued)

On 17 August 2007, in accordance with the *Superannuation (State Public Sector) Amendment Regulation (No.1) 2007*, the Queensland Government increased the prescribed number of employer and member entity trustees from five to six with the effect of increasing the size of the Board from ten to twelve.

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 the Minister after consulting the Board.

(b) Employer sponsor

Employer funding arrangements are discussed in note 13.

(c) Government Superannuation Office (GSO)

From 1 July 2007, the GSO ceased providing administration services to the Fund and QSuper Limited took responsibility as the administrator of the Fund.

(d) QSuper Limited

During the 2007/2008 financial year, QSuper Limited provided fund administration services to the Fund and was paid an administration fee. The fee covered all administration costs including superannuation administration, audit, actuarial fees, legal fees, and medical costs. Administration fees paid for the period totalled \$54,420,000 (2007: \$47,969,000).

(e) Q Invest Limited

The Fund has a 50% ownership interest in Q Invest Limited. Q Invest Limited provides financial planning advice to Fund members. Fees paid to Q Invest Limited for the period totalled \$12,684,000 (2007: \$11,403,000).

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

(f) 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 \$38,054,000 (2007: \$27,194,000).

(g) 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 16 Financial instruments

(a) General

The Fund's principal financial instruments are units in unlisted trusts held with QIC. The main purpose of these financial instruments is to generate a return on investments.

The Fund also has various other financial instruments such as sundry receivables and payables, which arise directly from its operations; these are current in nature.

Risks arising from holding financial instruments are inherent in the Fund's activities. The Fund, via its investment in the QIC vehicle, has investments in a variety of financial instruments, including derivatives, which exposes the Fund to credit risk, liquidity risk, and market risk.

Notes to the financial statements

for the year ended 30 June 2008

Note 16 Financial instruments (continued)

The Board is responsible for identifying and controlling the risks that arise from these financial instruments. The Board reviews and agrees policies for managing each of these risks and may establish committees as it considers necessary or appropriate, to assist it in carrying out its responsibilities.

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

The Audit and Risk Committee assists the Board in discharging its governance and administrative responsibilities. The Committee's role encompasses reviewing the management of risk, including overseeing the risk register and ensuring appropriate internal controls are in place to address those risks; monitoring the compliance of the Fund and QSuper Limited with legislative requirements; reviewing internal and external audit findings and monitoring the implementation of audit recommendations; and reviewing financial statements.

The Investment Committee provides assistance to the Board to discharge its investment oversight in relation to the Fund. The principal duties and responsibilities of the committee include recommending to the Board the investment objectives for the Fund and its various member investment choice options; recommending to the Board the investment policy for the Fund; monitoring investment performance, including the performance of QIC as investment manager; and discussing investment issues with the Board, QSuper Limited management, and independent advisors, if and when the need arises.

(b) Credit risk

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

The Fund is exposed to credit risk through its investments in unit trusts with QIC, deposits held with banks, and receivables. The current exposure is equal to the net market value of these instruments as disclosed in the statement of net assets. This does not represent the maximum risk exposure that could arise in the future as a result of changes in values, but best represents the current maximum exposure at the reporting date.

QIC is the Fund's investment manager as stipulated in the *Superannuation (State Public Sector) Act 1990*. QIC invests with a wide variety of high credit rating counterparties (refer note 4). The Board may appoint other investment managers if it so chooses.

The Fund holds no collateral as security or any other credit enhancements. There are no significant financial assets that are past due or impaired, and none have been renegotiated. Credit risk is not considered to be significant to the Fund.

(c) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities. This risk is controlled through the Fund's investment in unit trusts, which under normal market conditions are convertible to cash over a reasonable period. In addition, the Fund maintains sufficient cash at bank deposits to meet normal operating requirements and likely benefit payments.

The Fund is exposed to liquidity risk through its normal course of business. The Fund's significant financial liabilities are benefits payable to members. Other financial liabilities of the Fund comprise administration and investment management fees payable and sundry payables. The current exposure is equal to the net market value of these instruments as disclosed in the statement of net assets, and in notes 7 and 8 for accrued and vested benefits respectively.

Benefit claims are considered on demand, therefore the Fund is exposed to the liquidity risk of meeting members' withdrawals at any time. The Fund considers it is highly unlikely that all members will request to roll over their superannuation fund account at the same time. The funding arrangements in place for member benefits are explained in note 13.

Notes to the financial statements

for the year ended 30 June 2008

Note 16 Financial instruments (continued)

(d) Market risk

Market risk is the risk that the net market value of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, and equity prices. Market risk is minimised through ensuring that all investment activities are undertaken in accordance with established mandate limits and investment strategies.

The Board seeks information and advice from QIC on the performance of the individual asset classes of the Fund's investments (and may also seek independent advice from other qualified persons) so as to form an opinion on the nature and extent of any risks, and the expected returns, associated with each investment prior to determining its suitability as an investment for the Fund. This includes receipt of a formal risk management statement from QIC.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the net market values of financial instruments.

The Fund is exposed to interest rate risk through cash held in the bank account. The current exposure is equal to the net market value of this instrument as disclosed in the statement of net assets and is not considered significant.

Other market price risk

Other market price risk is the risk that the value of the instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual instrument, its issuer, or all factors affecting all instruments in the market. Through its investments in unit trusts, the Fund is exposed to interest rate risk and currency risk, however these are categorised as other market price risk for the purposes of risk management disclosure. As the Fund's financial instruments are valued at net market value with changes in net market value recognised in the statement of changes in net assets, all changes in market conditions will directly affect investment revenue.

The Fund's exposure to other market price risk is limited to investments in unit trusts, currently equal to the net market value shown on the statement of net assets. Other market price risk is mitigated by the Fund's diversified portfolio of investments in unit trusts with QIC in accordance with the investment strategy approved by the Board. The investment strategy targets a widely diversified portfolio, across a broad range of asset classes. The Board monitors the Fund's performance on an ongoing basis throughout the year ensuring the investment strategy mandate is not breached.

A sensitivity analysis for change in net assets and net assets available to pay benefits has been estimated using reasonably possible changes in risk variables based on the various indices applicable to the underlying assets of the unit trusts, which have been determined by QIC. The sensitivity analysis has been performed on a before tax basis.

Notes to the financial statements

for the year ended 30 June 2008

Note 16 Financial instruments (continued)

Investment in unit trusts	2008		2007	
	Change in net assets and investment revenue		Change in net assets and investment revenue	
	%	\$'000	%	\$'000
Queensland Investment Trust (QIT) No. 1	-5.00	(750,682)	-5.00	(710,473)
	+20.00	3,002,727	+5.00	710,473
Queensland Investment Trust (QIT) No. 2	-5.00	(281,549)	-5.00	(286,653)
	+20.00	1,126,197	+5.00	286,653
QIC Growth Fund	-9.00	(6,919)	-5.00	-
	+18.00	13,839	+5.00	-
QIC Property Fund	-0.25	(5,900)	-0.25	(5,533)
	+0.25	5,900	+0.25	5,533
QIC Cash Fund	-0.50	(1)	-0.25	(8)
	+0.25	1	+0.25	8
QIC International Property Fund	-0.25	(1,029)	-0.25	(1,054)
	+0.25	1,029	+0.25	1,054
QIC Diversified Infrastructure Fund No. 1	-5.00	(21,608)	-5.00	(18,119)
	+5.00	21,608	+5.00	18,119
QIC International Property Development Trust	-0.25	(2)	-0.25	(2)
	+0.25	2	+0.25	2
QIC Strategy Fund No. 1	-5.00	(30,312)	-5.00	(14,138)
	+20.00	121,247	+5.00	14,138
QIC Private Equity Fund No. 1	-15.00	(31,318)	-5.00	(5,378)
	+5.00	10,439	+5.00	5,378

(e) Fair value

The Fund's financial instruments are measured at net market value, which approximates net fair value. The methods of determining net market value are described in note 1(f).

Notes to the financial statements

for the year ended 30 June 2008

Note 17 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 2008 are \$10,849,000 (2007: \$10,463,000).

Note 18 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 to note 9.

Note 19 Segment information

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

Note 20 Commitments and contingent liabilities

The Board, together with QIC, have provided a guarantee to adequately fund Q Invest Limited to ensure that it can meet its obligations under Australian Securities and Investment Commission licensing requirements.

The Fund has no other known commitments or contingent liabilities as at 30 June 2008.

Note 21 Post balance date events

On 1 July 2008, Queensland Treasury Corporation took control of the Consolidated Fund defined benefit monies on behalf of Queensland Treasury. These monies will continue to be managed by QIC as investment manager and the employers remain liable for any shortfall in defined benefit claims.

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

Note 22 Regulation of the State Public Sector Superannuation Fund

The Fund currently complies with the *Superannuation (State Public Sector) Act 1990* and the *Superannuation (State Public Sector) Deed 1990*. Although the Fund adheres to the principles of the regulatory framework as prescribed by *Superannuation Industry (Supervision) Act 1993*, it is not subject to formal Commonwealth licensing under a Commonwealth/State agreement.

On 22 February 2007, the Queensland Parliament passed legislation to amend the *Superannuation (State Public Sector) Act 1990* which provides for flexibility to opt into Commonwealth licensing.


The Board is presently taking steps to move the Fund into a Commonwealth regulatory framework and to become a Registrable Superannuation Entity.

Statement of the Board of Trustees

of the State Public Sector Superannuation Fund for the year ended 30 June 2008

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 2008 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 the *Superannuation (State Public Sector) Deed 1990* and the requirements of the *Superannuation (State Public Sector) Act 1990*.



G P Bradley
Chairman



T M Hamilton
Chairman
Audit and Risk Committee



R A Vilgan
Chief Executive Officer

Brisbane
29 August 2008

Independent auditor's 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 report

The audit report relates to the general purpose financial statements of the State Public Sector Superannuation Fund for the financial year ended 30 June 2007 included on the QSuper website. QSuper Limited is responsible for the integrity of the QSuper website. We have not been engaged to report on the integrity of the QSuper website. The audit report refers only to the statements 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 statements are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited general purpose financial statements, available from QSuper, to confirm the information included in the audited financial report presented on this website. These matters also relate to the presentation of the audited financial report in other electronic media including CD Rom.

Report on the financial report

I have audited the accompanying financial report of the State Public Sector Superannuation Fund which comprises the statement of net assets, statement of changes in net assets, notes to the financial statements and certificates given by the Board of Trustees and Chief Executive Officer for the year ended 30 June 2008.

The Trustees' responsibility for the financial report

The Trustees are responsible for the preparation and fair presentation of the financial report in accordance with the requirements of the *Superannuation (State Public Sector) Act 1990*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. These Auditing Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement in the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control, other than in expressing an opinion on compliance with prescribed requirements. An audit also includes evaluating the appropriateness of accounting policies and the reasonableness of accounting estimates made by the Trustees, as well as evaluating the overall presentation of the financial report.

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

Independence

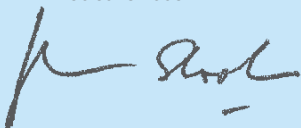
The *Financial Administration and Audit Act 1977* promotes the independence of the Auditor-General and QAO authorised auditors. The Auditor-General is the auditor of all Queensland public sector entities and can only be removed by Parliament.

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

Auditor's opinion

In my opinion the financial statements of the State Public Sector Superannuation Fund are in accordance with:

- (a) the provisions of the *Superannuation (State Public Sector) Act 1990*; and
- (b) the prescribed accounting standards and other mandatory professional reporting requirements in Australia, including giving a true and fair view of the State Public Sector Superannuation Fund's net assets and changes in net assets for the year ended 30 June 2008.



G G Poole FCPA
Auditor-General of Queensland

Queensland Audit Office
Brisbane

15 September 2008

Appendix

Summary report on the actuarial investigation of the State Public Sector Superannuation Scheme as at 30 June 2007

The latest actuarial investigation of the State Public Sector Superannuation Scheme (QSuper) was conducted as at 30 June 2007 by the State Actuary Mr W H Cannon BSc (Hons) FIAA FFin. Whilst the full details can be found in the corresponding report dated 30 June 2008 (the Extended Report), a summary of the main findings of the investigation is given below.

Financial condition

This investigation has revealed that the fund was in a healthy position with a surplus of assets over accrued liabilities of \$5 billion as at 30 June 2007, an increase of over \$3 billion from the surplus at the 2004 investigation. The main factors causing that increase have been the higher than assumed investment returns between 2004 and 2007 and interest on the previous surplus.

It is important to note however that investment returns since the valuation have been substantially lower than the assumed long-term level, reducing the observed surplus by over \$2 billion. The remaining surplus should be carried forward as a buffer, for the following reasons:

- The main source of this surplus is the relatively high investment returns achieved by the fund over the last several years. To the extent that investment returns in future are less favourable than in the recent past, the retention of this buffer will protect the funding position of the scheme.
- In assessing the magnitude of the surplus position of the scheme, it is informative to consider the value of the liabilities, ignoring the risk premiums included in future investment returns. As shown in Section 6 of the Extended Report, this more prudent view of scheme solvency does not indicate the availability of any excess funds at this time.

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 – Recommended employer contribution rates by category

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

The Actuary has certified that the expected liabilities of the scheme should be adequately provided for by the assets of QSuper and the relevant reserve within the Consolidated Fund, together with the funds' investment earnings and member and employer contributions at the recommended 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 Fund's assets as at 30 June 2007 was \$22,779 million and the market value of the relevant assets held in the Consolidated Fund was \$21,869 million, resulting in a total market value of \$44,648 million. These asset values were used to determine the recommended contribution rates and proportion of benefits to be paid from the Employer Fund.

Vested benefits

Vested benefits are the benefits to which members would be entitled if they voluntarily left employment 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. The fund's coverage of vested benefits is therefore an important indicator of its short term financial condition. This relationship is usually expressed as an index defined as the ratio of assets to vested benefits (VBI).

As at 30 June 2007, the value of the vested benefits was \$41,803 million¹ implying a total scheme VBI of 106.8%. This includes vested benefits in respect of active members (including accumulation members), retained benefits in respect of former members and the value of pensions payable to former members and beneficiaries, and allows for the estimated level of vested contributions tax. In respect of active defined benefit members only, the VBI was 121.5%. Consequently, the assets were more than sufficient to provide for the vested benefits of the scheme.

¹ The value of vested benefits in respect of accumulation accounts, retained benefits in respect of former members and the value of pensions payable to former members and beneficiaries was \$22,415 million.

Appendix

Summary report on the actuarial investigation of the State Public Sector Superannuation Scheme as at 30 June 2007 (continued)

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 3.0% p.a. in excess of assumed salary inflation, which in turn was assumed to be 4.5% 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 2007 when calculating the expected benefits payable in future years.

The total value of accrued benefits as at 30 June 2007 was \$39,557 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 136.8%. 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 4.5% p.a. This assumption is also relevant for the purposes of valuing pensions that are increased in line with increases in salary (Parliamentary Category).

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.

Other assumptions

The other assumptions included in the actuarial basis can be obtained from Appendix C of the Extended Report.

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