

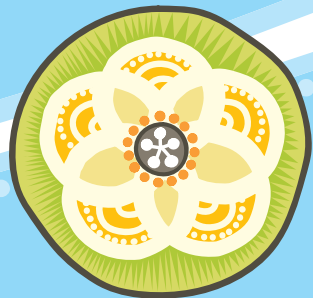
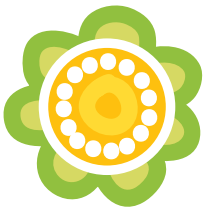
2021 Annual Report

Issued: October 2021

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

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

Learn more about our other Indigenous artworks and QSuper's commitment to reconciliation at qsuper.qld.gov.au/reconciliation



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About QSuper

At QSuper, our members are our purpose. We don't have shareholders. Everything we do is to benefit our members.

We're one of Australia's oldest and largest super funds and our members have come first for over 100 years. And though we've grown considerably since our story began in Queensland in 1913, our profit-for-members focus has remained steadfast.

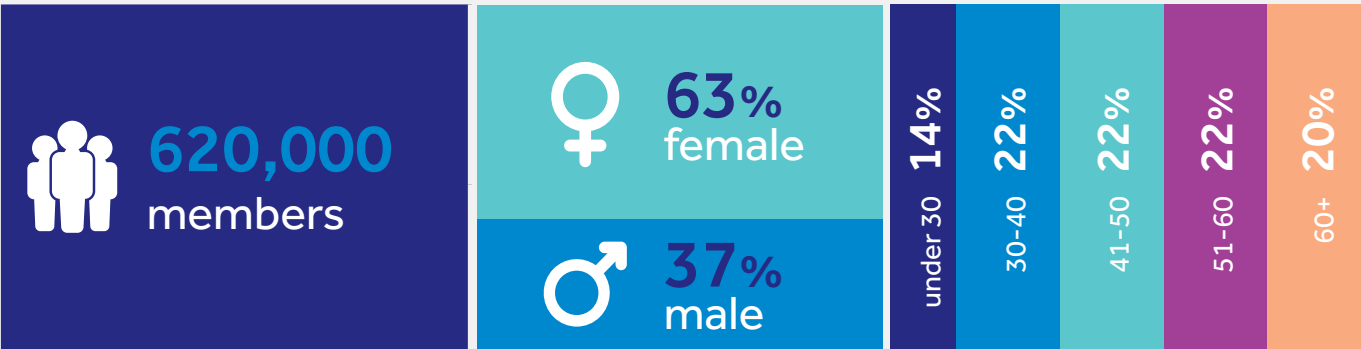
As of 30 June 2021, we were responsible for managing more than \$133 billion in funds under administration¹ for over 620,000 members across the country.

As an organisation, we are united in our aim to support our members' financial wellbeing throughout their life.

Our purpose, culture, values, and strategic objectives drive us to ensure that every member feels confident that, with QSuper, they can look forward to their best years because their financial future is in safe hands.




Highlights for 2020-21




 **\$133 billion**
funds under administration

 We partnered with **57,947**
employers across
Australia


 **#1** on a return-for-risk
basis over the last 7 years
to 30 June 2021¹

 **162,659**
members called our
Member Services team

 **Industry
leader**
in 10-year investment
performance²

 **>5,480**
calls to our Employer
Solutions and Support
team

 **Awarded**
for providing the best value
for members³

 **372,149**
members managed their
super via Member Online

 **#1**
for member satisfaction in
financial performance⁴

 **↑110.5%**
social media growth
year-on-year



For further ratings information, see the back cover and visit qsuper.qld.gov.au/awards

¹ Funds under administration as at 30 June 2021. Net assets include the retirement funds managed by QSuper and employer-sponsor receivables for Defined Benefit members managed and held by Queensland Treasury.

¹ Lonsec, media release, lonsec.com.au/super-fund/2021/07/21/media-release-stellar-fy21-returns-as-super-funds-deliver-for-their-members/, accessed 10 August 2021.

² Based on cumulative returns compounded annually, after fees and taxes excluding fixed administration, contribution, switching fees, and insurance premiums for the Accumulation account Balanced option. SuperRatings does not issue, sell, guarantee, or underwrite this product. Ratings, awards, or investment returns are only one factor that you should consider when deciding how to invest your super. The rating is issued by SuperRatings Pty Ltd ABN 95 100 192 283 AFSL 311880 (SuperRatings). Ratings are general advice only and have been prepared without taking account of your objectives, financial situation, or needs. Consider your personal circumstances, read the product disclosure statement, and seek independent financial advice before investing. The rating is not a recommendation to purchase, sell, or hold any product. Past performance information is not indicative of future performance. Ratings are subject to change without notice and SuperRatings assumes no obligation to update. SuperRatings uses objective criteria and receives a fee for publishing awards. Visit superratings.com.au for ratings information and to access the full report. © 2021 SuperRatings. All rights reserved.

³ Money magazine's 2021 Best Value MySuper Product and Best Value Super Fund for Young People. Money magazine awards are solely a statement of opinion and do not represent a recommendation to purchase, hold, or sell this product, or make any other investment decisions. Ratings are subject to change. Past performance is not a reliable indicator of future performance. Go to moneymag.com.au for details of its ratings criteria.

⁴ Roy Morgan, Superannuation Satisfaction: Satisfaction with Financial Performance of superannuation in Australia. 6 months to April 2021, n=19,117, Base: Australians aged 14+ with work-based or personal superannuation.

Supporting members through change

For more than 100 years, QSuper has been here for our members – in the good times and the tough ones.

Through the disruption and challenges of the coronavirus pandemic through 2020-21, our teams continued to work hard behind the scenes to support our members, including the many nurses, healthcare workers, teachers, and police officers who have worked stoically through the health emergency.

We have continued to provide our members with the crucial services, information, and reassurance they need.

To support members during COVID-19, QSuper added more member services officers and extended our contact centre hours to 8am-6pm to make sure we were there when our members needed us the most.

In the 2020-21 financial year, member education seminars went online. While our education officers missed seeing our members face to face around the state, they hosted 102 online seminars for almost 19,000 viewers across Queensland, interstate, and overseas.

They also supported our members at work, by delivering both digital and COVID-safe face-to-face activities. Over 800 events were viewed by more than 14,500 attendees.

In response to market volatility, QSuper Chief Investment Officer Charles Woodhouse hosted a special investment update and had his team of investment specialists available to answer member questions.

With so much change in legislation and other COVID-19-related updates, members, employers, and our other stakeholders had the latest, accurate information. Regular news stories and the Super Scoop newsletter explained the changes and a dedicated section was established on our website. These changes and updates were accessed by more than 45,000 people during the financial year.

Members can now access more advice topics, including retirement planning, retirement income forecasts, and downsizer contributions, via our over-the-phone personal advice service. It's available to members at no additional cost.¹

Members who suffered financial hardship were able to access their super early.² Our teams introduced new processes and system changes to handle the requests and get our members the financial help they needed quickly.

Our members are always at the heart of all that we do, and we continue to work hard to assure them that they can expect everything they've come to trust and expect from QSuper will continue as usual.



¹ QInvest Limited (ABN 35 063 511 580, AFSL 238274) is a separate legal entity responsible for the financial services it provides. Eligibility conditions apply. Refer to the *Financial Services Guide* for more information.

² The Australian Government's COVID-19 early release of super program closed on 31 December 2020.

ThankQ message

As the coronavirus pandemic swept the globe in 2020-21 and its impacts continued to unfold in Australia and around the world, many of our members played important roles.

These heroes responded with resilience, dedication, and compassion to a pandemic crisis like nothing we have seen before. We thank you for being there when our lives turned upside down.

With your determination and your courage, you were our life savers, protectors, and guides through challenging times. You picked us up and kept us safe. You were, and continue to be, the beating heart of our communities.



The Chair's report



Don Luke

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

We continue to live through a period that is confronting for both our members and the broader community. Many of our members remain front line in the efforts to combat the impact of the coronavirus and all have felt the economic and social dislocation it has caused.

I want to pay special tribute to the work our members do to serve the community, particularly over the past year in the face of COVID-19. Whether it's in a hospital ward, a classroom, a disaster scene, or an office, we respect what you do, value your commitment, and are deeply grateful.

QSuper has worked to be our members' partner through these difficult times.

We remain committed to our core purpose of investing for a prosperous retirement, thus offering peace of mind through our members' working lives and beyond.

Investment returns over the past year have been strong across the QSuper investment options, with many providing their highest returns in over a decade. We continue to pursue very broadly diversified investment strategies to smooth returns from year to year and deliver strong long-term returns, which is at the heart of our investment philosophy.

Your needs are central to the work of QSuper staff, whose dedication to members is at the heart of every action they take. We have continued to innovate with both products and services that enhance the experience of being a QSuper member. As mentioned in the CEO's report, we have launched a new innovative Lifetime Pension product, redesigned the Socially Responsible investment option, and continued to manage our climate change policies to align to the Paris agreement and net zero emissions by 2050.

Your trustees' ability to serve your needs is supported by our staff's dedication, which extends all the way from the front-line people who answer member queries to the executive offices. I can reassure you that every major decision is influenced by the answer to the question: what does this achieve for members?

The board is responsible for the governance of the organisation. I can assure you also that we take this

responsibility seriously, focussing on decisions that will deliver the best possible outcomes.

Your board has taken some major decisions during the year, including the decision to pursue merger discussions with Sunsuper to become one of Australia's largest superannuation funds. This has involved a great deal of thought to understand the potential benefits to members.

It has also involved a complex body of work to identify what each fund will need to change as we move towards a merger by forming a fund with about 2 million members and more than \$200 billion in funds under management.

QSuper places a lot of value in its relationship with the Queensland Government, the principal employer of many of our members. We continue to value that relationship and have worked closely with the government through the merger process, enjoying both its support and the legislative changes needed to proceed with the merger decisions.

During the year, we farewelled Walter Ivessa, who has served 12 years as a trustee. During that period, Walter has acted as both Chair of our Audit and Risk Committee and, since January 2020, as Chair of the Investment Committee. His counsel has been valued by both fellow trustees and our finance, risk, and investments teams.

I want to also pay tribute to our departing Chief Executive Officer, Michael Pennisi, who has chosen to step down after six years in the role. Michael's strong leadership has steered the fund through its greatest period of change – moving from a closed fund to an open fund and then entering the negotiations that will see us part of an organisation global in scale and ambition. He has been an excellent leader, who has always ensured that QSuper is first and foremost a member organisation that assists our members to achieve their best retirement. The board is truly grateful for what he has done as both CEO and a senior executive of QSuper.

Don Luke



The CEO's report



Michael Pennisi

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

This has been a mixed year for our members. It has been a year that has delivered strong investment outcomes among a raft of Australian Government superannuation policy changes, the introduction of an innovative new retirement product, and new services and expanded advice topics for our members.

It has also been a year in which the coronavirus pandemic continued to affect our lives, and I am extremely proud of the way our staff have supported members and worked very hard to continue to meet the high standards they rightly expect of us.

Thank you for your trust

On behalf of everyone at QSuper, I'd like to thank all of our members for their continued trust.

The main reason we exist is to assist our members to achieve their best retirement. It is not to make a profit for a shareholder, nor is it for the personal gain of individuals. We are a member organisation first and foremost.

At the heart of QSuper's purpose, built on over 100 years of history, is our deeply held commitment to standing side by side with our members through the good and difficult times.

Purpose guides our actions

This belief guides our intentions, our actions, and every decision we make.

It has driven numerous courageous decisions over many years: we changed our investment philosophy and portfolio construction in 2009; created QSuper Lifetime in 2013, which introduced the first lifecycle default product of its kind; opened QSuper to the general public in 2017; and we changed how we help members get more advice, when and how they wish to receive it.

Our purpose is also fundamentally guiding our assessment of the planned merger with Sunsuper. Significant work has been undertaken over the past year to ensure that the QSuper Board can attest that the merger will be in QSuper members' best interests. This work is progressing, and we will continue to work diligently to ensure the QSuper Board has all the information necessary for making an informed decision.

Committed to hard work

Before I touch on some of the significant achievements of the past 12 months, I wanted to acknowledge the many things we do every day for our members – the things that matter a great deal to those who need assistance, seek advice, require funds for a holiday or to cover living expenses, or find themselves in poor health and need to claim on their insurance.

These are the moments of truth that matter for the majority of our members, and I am pleased to say that over the past year, our staff have delivered exemplary service to our 620,000 members under unique and sometimes difficult circumstances.

In addition to delivering great service, we work very hard to meet our investment objectives, and to develop innovative products and services. COVID-19, escalating trade tensions, and ongoing fiscal policy interventions made this a more complicated undertaking – but one that our people embraced.

By reducing our strategic weight to bonds and increasing our allocations in other diversifying asset classes, we continued to deliver a smoother ride for our diversified investment options over the long term.

In fact, SuperRatings ranks QSuper's Balanced investment option number 1 on a return-for-risk basis over the past seven years (to 30 June 2021), with an annual return of 8.1%.¹ We've been able to achieve these outcomes because our investment strategy has been designed to consistently deliver strong returns, year on year, with lower levels of volatility.

An industry-first new product

In March 2021, we launched Lifetime Pension, a ground-breaking retirement income product that provides tax-free income for life and potential accompanying Age Pension benefits. Interest in this industry-first

product – from our members, the community, and financial advisers has been strong.

Lifetime Pension is another example of QSuper breaking the mould and working with our members to identify a need, researching the best solution, testing our thinking nationally and internationally, and then bringing the product to market. This is the first product of its kind in Australia and an achievement that we are all very proud of.

Socially Responsible investment changes

In a similar vein, we have continued to further our position, policies, and approach on socially responsible investing. This is an ongoing commitment that will continue under the newly combined fund, should the merger with Sunsuper proceed. The changes made last year to bring management of our Socially Responsible option in-house have received great support, with nearly \$1 billion now invested in this option. That is almost three times its balance prior to the change, and almost double the number of members previously invested in the option.

We have also committed to aligning QSuper to a decarbonisation path consistent with the Paris Accord and meeting net-zero carbon emissions by 2050.

Expanded advice offering

The past year has also been a watershed year for our advice offering. Recognising the changing advice needs of our members during COVID-19 and using the feedback we received from members about what is important to them, the advice model was fundamentally changed last year. This has been very well received by members and has enabled QInvest to provide access to advice to more members on topics they value highly.

We have also maintained our strong commitment to community organisations whose purpose complements the working life of

our members. QSuper is a proud supporter of DVConnect (a telephone advice service for domestic violence victims), the Royal Flying Doctor Service, and programs that support vulnerable members, recognise excellence in teaching, and celebrate the heroic efforts of our front-line members.

Farewell

Finally, this is my last annual report as Chief Executive Officer of this great fund. Over nearly six years as QSuper CEO, and the years prior as an executive, I have had the privilege to work with and meet many extraordinary people. I will miss our people, their single-minded dedication, and their unwavering commitment to our members. To our members, it has been my honour to have led the fund on your behalf, and I hope that our efforts over the years have made a difference to your life in retirement and have given you comfort that with QSuper, you are in safe hands.

Michael Pennisi



¹ Lonsec, media release, lonsec.com.au/super-fund/2021/07/21/media-release-stellar-fy21-returns-as-super-funds-deliver-for-their-members/, accessed 10 August 2021.

The CIO's report



Charles Woodhouse

Chief Investment Officer of QSuper

Getting on top of the coronavirus pandemic was the defining feature of the financial year. There were wins, such as COVID-19 cases trending downwards globally as vaccines began proving effective in addressing the virus variants. As health authorities and governments gained more control over COVID-19, confidence rose that the global economy would eventually bounce back to normal.

Governments also continued to spend at record rates. Combined with public health measures and vaccine rollouts, interventions in the markets to ease significant unemployment and economic stagnation kept the global economy resilient.

The economic environment of the 2020-21 financial year affected a variety of investment assets.

Globally, listed share markets rose approximately 35%. Many commodity prices were even higher. Copper prices, for example, rose over 70% on the strength of large infrastructure spending in China, the promise of infrastructure spending in the United States, and a global focus on green infrastructure like electric vehicles, battery storage, and solar.

Unlisted assets like infrastructure were also revalued higher as the movement of people improved with the COVID-19 vaccine rollout.

However, returns in these asset classes were also offset by some losses on assets like bonds and safe-haven currencies, which are designed to do well when equities perform poorly.

Asset price inflation didn't translate into higher consumer price inflation. With consumer inflation remaining in check, central banks kept interest rates at historically low levels – near zero.

These developments produced a return of 13.70% for our Accumulation account Balanced option¹ over the year, which compared very favourably to the option's objective to exceed CPI + 3.5%.

One-year results for the Income account, for members who have fully retired, were also above the results we would see in a typical year. The Income account Balanced option produced a return of 14.92%,¹ well above the 5-year and 10-year average returns.

QSuper's default strategy

We maintain our unique approach for managing risk for members in our Accumulation account default investment option, Lifetime. We offer the only product in Australia that takes two factors into consideration for a member's investment strategy. One is the age of the member, to represent how close they are to retirement, and the second is the balance in their Lifetime account. The higher the balance and the older the member, the more conservative the investment strategy becomes, to minimise the risk of loss.

QSuper manages these investments dynamically. During the market downturn in February and March of 2020, we increased the allocation to risk assets like listed shares for Lifetime groups, further taking advantage of market recoveries to support returns across all the Lifetime cohorts.

As we look to a changing investment landscape ahead, our approach will continue to evolve to deliver our return objectives. Major global risks continue to encourage diversification in the portfolios, and we need to continue to invest in assets that help protect the portfolio should one or more of these risks derail the recovery.

Greater social responsibility

In the past 12 months, QSuper made significant progress in two elements of responsible investing.

First, we committed to reducing carbon emissions that contribute to climate change by aiming to align our portfolio to net-zero carbon emissions by 2050. This is in line with the Paris Accord, which is considered the least-cost pathway for the economy, supporting the best investment outcomes for our members.

Second, we redesigned the Socially Responsible option,



with target objectives based on our understanding of members' preferences of clean energy, green building, environmental conservation, and waste reduction and recycling. It also targets food and water scarcity, medical and technological innovation, education, and health care.

We will keep you, our members, informed about the option's investments, by detailing their impacts on the wider world.

After 12 months, members have voted with their investor dollars, leading to a 174% increase in funds in the option and an 82% increase in the number of members invested. The Socially Responsible option is now the fastest-growing option of its kind in Australia.¹

Lifetime Pension

In 2020-21, the number of QSuper members in the pension phase reached almost 10% of our total membership. To support this growing population, QSuper introduced an innovative new product in March 2021 called Lifetime Pension. We

designed Lifetime Pension after asking members what worried them most about retirement. They told us that running out of money was their top concern.

Based on conversations with members, we believe there is a link between concerns about running out of money and retirees taking only the minimum payment. In fact, most retired Australians draw down on their Income accounts at, or close to, the minimum drawdown rate set out by the government.

Lifetime Pension provides a fortnightly income for a member's life, no matter how long they live. Lifetime Pension enables members to spend confidently, knowing they will receive income for the rest of their life and that of their spouse's life if they choose.

It is designed to pay higher rates of income compared to the age-based legislated minimums on the Retirement Income account. It may also provide some Age Pension benefits for some members.

Like the Retirement Income account, Lifetime Pension is market-linked, so income will go up and down in line with performance.

Our two retirement products, Retirement Income account and Lifetime Pension, offer unique benefits that, when used together, can provide for a more complete retirement solution.²

Finally, I would like to thank you for the trust you place in QSuper to manage your retirement assets. My team and I appreciate the great responsibility that comes with your trust and focus to act in your best interest every day.

Charles Woodhouse

¹ Past performance is not a reliable indicator of future performance. Please note, the figures shown reflect the returns of the investment options, not the returns of your investment as these returns do not take into account the timing of contributions, investment switches, or withdrawals. Your actual returns will differ depending on the unit prices applied to your investment option(s) at the time of transaction.

¹ SuperRatings Sustainable Balanced fund tables, as at 30 June 2021 issued by SuperRatings Pty Ltd ABN 95 100 192 283 AFSL 311880 (SuperRatings). Ratings are general advice only and have been prepared without taking account of your objectives, financial situation or needs. Consider your personal circumstances, read the product disclosure statement and seek independent financial advice before investing. The rating is not a recommendation to purchase, sell or hold any product. Past performance information is not indicative of future performance. Ratings are subject to change without notice and SuperRatings assumes no obligation to update. SuperRatings uses objective criteria and receives a fee for publishing awards. Visit superratings.com.au for ratings information. © 2021 SuperRatings. All rights reserved.

² This content is provided for information purposes only and should not be taken as financial product advice. You should get professional advice before making an investment decision.



Socially Responsible Investment option Outcomes Report

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

Our Socially Responsible investment option is designed to make a clear, real connection between the responsible investment aims of our members and the impacts their investments have.

Our objective is to target what our members tell us they care about, seek investments that have a positive impact on the world and people, and provide information on the impact of the investments through an annual Outcomes Report.

In 2020-21, after 12 months of managing our redesigned Socially Responsible option, we have experienced an 82% increase in the number of members invested in the option, and an increase of 174% in total funds under management in the option over the 12 months to 30 June 2021.

As at 31 May 2021, our Socially Responsible option was designated by SuperRatings¹ as the fastest-growing option of its kind in Australia.

How members drive our social responsibility

In a 2019 review, members told us they wanted to see tangible, real-world outcomes to environmental and social concerns, such as clean energy, green buildings, environmental conservation, waste reduction and recycling, along with food and water scarcity, medical and technological innovation, education, and health care.

As a result, we redesigned our Socially Responsible option, lowered its Standard Risk Measure (SRM)² and fees, and brought management of the option in-house.

In line with outcomes of the member review, we invested in a combination of asset classes and undertook to report how these investments had a positive impact. Aligning our investments with members' preferences is not only about what we buy and sell, it's about influencing how the companies we invest in do business, for the benefit of members.

We also continued to aim to deliver on the same financial investment objectives of strong returns with fewer ups and downs that apply to QSuper's other diversified investment options.

¹ SuperRatings Sustainable Balanced fund tables, as at 31 May 2021 issued by SuperRatings Pty Ltd ABN 95 100 192 283 AFSL 311880 (SuperRatings). Ratings are general advice only and have been prepared without taking account of your objectives, financial situation or needs. Consider your personal circumstances, read the product disclosure statement and seek independent financial advice before investing. The rating is not a recommendation to purchase, sell or hold any product. Past performance information is not indicative of future performance. Ratings are subject to change without notice and SuperRatings assumes no obligation to update. SuperRatings uses objective criteria and receives a fee for publishing awards. Visit superratings.com.au for ratings information. © 2021 SuperRatings. All rights reserved.

² The Standard Risk Measure (SRM) is based on industry guidance to allow you to compare investment options that are expected to deliver a similar number of negative annual returns over any 20-year period. The SRM is not a complete assessment of all forms of investment risk. For more information, refer to the Investment Choice Guide.



Our socially responsible results

Much of the data about the impact of our Socially Responsible investments is expressed using the United Nations' Sustainable Development Goals (SDGs), which are 17 areas of action that member states committed to under the 2030 Agenda for Sustainable Development.

Our members' social responsibility preferences are closely aligned to many of the 17 United Nations' SDGs.

Our investments that contribute positively to the SDGs has a combined total of more than \$366 million, or 38% of our Socially Responsible option. The SDG-alignment and value of the assets in our Socially Responsible (SR) option, at 30 June 2021, includes:

United Nations SDs	Value of assets in our SR option
SDG 2 Zero hunger	\$41,186,700
SDG 3 Good health and wellbeing	\$90,223,203
SDG 4 Quality education	\$7,368,759
SDG 6 Clean water and sanitation	\$8,341,482
SDG 7 Affordable and clean energy	\$95,943,791
SDG 9 Industry, innovation and infrastructure	\$365,737
SDG 11 Sustainable cities and communities	\$117,621,551
SDG 15 Life on land	\$5,169,446
Total SDG-aligned positive impact	\$366,220,669

Gondwana mandate

We invest in asset classes from listed and unlisted equities to fixed interest, real estate, and infrastructure.

One of the stand-out achievements in the option during the past year was entering into a custom-designed impact mandate with Swiss fund manager Partners Group, one of the world's leading investment managers, called the Gondwana mandate.

The investment gives members exposure to private asset classes, such as private equity, infrastructure, and private debt that are often hard for individual investors to access.

Through Gondwana, we have invested in Axia Women's Health, a US-based provider of integrated women's health and medical services that focuses on improving wellness and maternity outcomes.

We also invested in Dimension Renewable Energy, a community solar and grid storage developer that acquires and leases land for solar farms. Dimension has over 600 megawatts under development, 100 projects in its pipeline across the US, and works with communities to address the social and environmental aspects of its projects.



Read our full QSuper Socially Responsible investment option Annual Report at qsuper.qld.gov.au/investments/options/socially-responsible/sri-outcome-report-2021

Community partnerships

Positively influencing and advocating for the financial wellbeing of Australians is a priority for QSuper. We are committed to recognising and amplifying the extraordinary work of our members and choose partners who can make a positive, long-term difference for our members and the community.

Highlights of 2020-21 include:

- Investing in essential training for more than 70 Royal Flying Doctor Service flight nurses
- 4,000 crisis calls per year funded for DVConnect and safe houses furnished for RizeUp
- Mentoring young Indigenous people in leadership, networking, and community planning
- Partnering in programs supporting more than 53,000 teachers in Queensland.

Health

With so many members working in healthcare professions, we're proud to partner with organisations dedicated to improving the health and wellbeing of others.

Royal Flying Doctor Service – Queensland Section

Now in its second year, QSuper's partnership with the Royal Flying Doctors supports training for 70 flight nurses who provide essential emergency and primary healthcare services across Queensland, including in our rural and remote communities.

Juiced TV

Also in its second year, we partner with Juiced TV – a program created by kids in hospital for young patients at the Queensland Children's Hospital. We support the Super Hero Awards recognising often unsung hospital staff heroes who provide quality emergency and primary care.

Education

We support Queensland Department of Education programs and initiatives that recognise the work of educators, support their professional development, and help increase learning outcomes for students.

Showcase Awards

We partner with the Department of Education to recognise outstanding school leaders and senior-year level teachers.

Premier's Reading Challenge

We partner with the Premier's Reading Challenge to provide prizes of book vouchers for students and author visits for schools.

Creative Generations – State Schools Onstage

We work with educators to nurture creative expression, thinking, and problem solving, and help support student performers engage with and learn from industry mentors.

Domestic and family violence

Since 2016, we have worked hard to support organisations that make a positive difference in preventing domestic violence and improving the lives and futures of people affected by it. Many QSuper members support domestic violence victims as police, nurses, emergency service workers, teachers, child safety officers, and legal officers. We are proud to stand alongside them to make a meaningful difference.

DVConnect

Our partnership with DVConnect has funded a full-time crisis counsellor for 4,000 calls per year since 2016, as well as created workplace training workshops for greater business community awareness and action.

RizeUp

We have supported RizeUp since 2017, and QSuper staff regularly participate in donations and volunteer time to help RizeUp to furnish houses where families can live safely.

Public advocacy

We were humbled to be named in Queensland's first Domestic and Family Violence (DFV) Prevention Honour Roll in October 2020 by the Department of Child Safety, Youth and Women. QSuper is also an active member of the Queensland Government's corporate roundtable for DFV prevention.

Women's wellbeing

With women comprising almost two-thirds of our membership, we are committed to financially empowering women.

She's on Q

We created She's on Q because we know women are statistically less likely to achieve financial security in retirement, due to a range of barriers. The She's on Q community, events, and digital hub continued to give women access to practical financial skills, resources, and real-world ideas. Women across the country could access empowering financial wellbeing and career development content during COVID-19, via the She's on Q events online in 2020-21.

Indigenous Australians

QSuper staff are committed to improving the financial wellbeing of Aboriginal and Torres Strait Islander people.

Remote community outreach

Each year, QSuper staff visit remote communities to help residents reconnect with any of their lost super and learn more about how to make the most of all of their super.

Following trips to a number of remote North Queensland communities in the 2019-20 financial year, planned trips to other remote Queensland communities in 2020-21 were postponed due to coronavirus pandemic restrictions.

Increasing accessibility

The fund has implemented guidelines to accept different forms of identification, such as a letter or statement by a referee, to make super more accessible for people in remote areas who don't have the typical ID documents used in the superannuation industry. The changes have broken down barriers to accessing super in Indigenous communities where English may be a second or third language, and kinship and family relationships extend beyond the industry definition of eligible superannuation dependants.

First Nations Foundation

We are an Impact Partner with First Nations Foundation's Indigenous Super website, designed by Indigenous people for Indigenous people to make the most of their super.

Queensland Indigenous Youth leadership program

The program is delivered annually by the Office for Youth, Department of Environment and Science, in partnership with Queensland Parliamentary Services. QSuper has been a proud supporter for several years, providing mentoring support to participants, attending as guest speakers, and attending various sessions to work with participants in helping them shape their leadership journeys.









We also sit on the panel of reviewers for the grant applications for QIYLP participants in 2021.



Our investment options

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

QSuper Lifetime – default option for the Accumulation account¹

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

¹ Only available to Accumulation account members.

Diversified



Moderate

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



Balanced

Default option for the Income account

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



Socially Responsible

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



Aggressive

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



Self Invest option²

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

Single sector



Cash

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



Diversified Bonds¹

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



International Shares

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



Australian Shares

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

¹ This option is managed externally through QIC Limited.

² The Self Invest option is only available to eligible Accumulation and Retirement Income account holders.

The QSuper Board and committees

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

Appointment of Trustees

Set up under the *Superannuation (State Public Sector) Act 1990* (QSuper Act), the QSuper Board is currently made up of nine individual trustees,¹ including equal employer and member entity representation, as well as one additional, independent trustee. The four employer representatives² are nominated by the Queensland Government, while the four member representatives are nominated by the Queensland Police Union of Employees, Queensland Nurses and Midwives' Union, Queensland Teachers' Union, and Together Queensland. The QSuper Act sets out the requirements for the appointment of trustees and they serve on the QSuper Board for a term of up to three years. After this initial period, they may be nominated for reappointment generally up to a maximum tenure of nine years. QSuper Trustees are also appointed as Directors of QSuper Limited and QInvest Limited.

Board responsibilities

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

Board remuneration and indemnification

The Queensland Treasurer, in consultation with the QSuper Board, approved the QSuper Board remuneration rates for the 2020-21 financial year. This remuneration was made up of an all-inclusive fee for all QSuper Board related activities, including committee memberships, and QSuper Limited and QInvest Limited directorships. The annual fee is independent of the Fund membership numbers, funds under management, or the investment performance of the Fund. QSuper Board members who are also active public sector employees aren't remunerated for performing their trustee duties. The QSuper Act includes indemnification of the QSuper Board, which is also covered by indemnity insurance taken out by the QSuper Board.

Independent Trustee



Chair

Financial Services Professional

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

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

Mr Luke was previously Chair of QIC Limited for five years until March 2019, a Non-Executive Director of AMP Capital Investors Limited and AMP Capital Holdings for seven years, Non-Executive Chair of Anglicare North Queensland, and Non-Executive Director of FIIG Securities.

Mr Luke was the Executive Director of the Community Services Commission for the Anglican Church in South Queensland, and prior to this role he was CEO of Sunsuper for 10 years and the Queensland Manager of AMP.

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

Member Representative Trustees



Trustee

Non-Executive Director

- Bachelor of Commerce
- Bachelor of Laws (Honours)
- Fellow of the Australian Institute of Company Directors
- Adjunct Professor at the University of Queensland
- Justice of the Peace

Mr Cowley was, until 30 June 2019, Chair of one of Australia's largest law firms, MinterEllison, and has practiced as a corporate lawyer for more than 38 years, specialising in mergers and acquisitions, directors' duties, and corporate governance.

He authored the *Protecting Your Position* series of publications on director liabilities and co-authored the book *Duties of Board and Committee Members*.

Mr Cowley is currently Chair of CPL, a member of the Takeovers Panel, and Chair of Griffith University's Strategic Advisory Board.

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



Trustee

Assistant General Secretary, Queensland Police Union of Employees

- Member of Australian Institute of Company Directors

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

He is also an Executive Member of the Queensland Council of Unions and a Director of the Queensland Police Legacy Scheme.

Mr Maxwell is an experienced law enforcement officer, having served in the Queensland Police Service between 1981 and 2018.

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



Trustee

Secretary, Queensland Nurses and Midwives' Union (QNMU)

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

Ms Mohle is currently Secretary of the QNMU and is also Senior Vice-President of the Queensland Council of Unions (QCU). Ms Mohle was previously a board member of HESTA, including a term as both Chair and Deputy Chair.

In 2008, the Australian Institute of Superannuation Trustees (AIST), named Ms Mohle Trustee of the Year.

Ms Mohle was recognised in the 2020 Queen's Birthday Honours List and was awarded the Member of the Order of Australia (AM) for her significant service to industrial relations, the nursing profession, and the superannuation sector.

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

¹ At 30 June 2021, one of the employer representative positions on the QSuper Board was vacant.
² At 30 June 2021, one of the employer representative positions on the QSuper Board was vacant.

Employer Representative Trustees



Kate Ruttiman

Trustee

General Secretary, Queensland Teachers' Union (QTU)

- Bachelor of Arts
- Graduate Diploma of Education (Secondary)
- Certificate in Super Essentials (ASFA)
- Executive Certificate in Non-Profit Leadership (Harvard)

Ms Ruttiman is currently General Secretary of the Queensland Teachers' Union and also the Honorary President of the Queensland Council of Unions. Ms Ruttiman was previously the Deputy General Secretary from 2010 to 2020.

Ms Ruttiman is a member of the Australian Institute of Company Directors and was previously a board member of Teachers' Union Health, Work, Health and Safety Board and Southbank Institute of TAFE.

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



Mary-Anne Curtis

Trustee

Associate Director-General, Seniors and Disability Services Department of Seniors, Disability Services and Aboriginal and Torres Strait Islander Partnerships

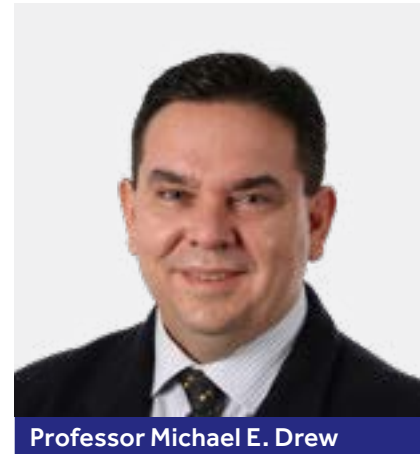
- Bachelor of Laws
- Bachelor of Commerce

Ms Curtis is currently the Associate Director-General, Seniors and Disability Services, Department of Seniors and Disability Services and Aboriginal and Torres Strait Islander Partnerships.

Ms Curtis's previous roles include Director-General of the Department of Employment, Small Business and Training from 2017 to 2020 and Deputy Under Treasurer, Queensland Treasury from 2014 to 2017.

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

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



Professor Michael E. Drew

Trustee

Managing Partner, MGD Private

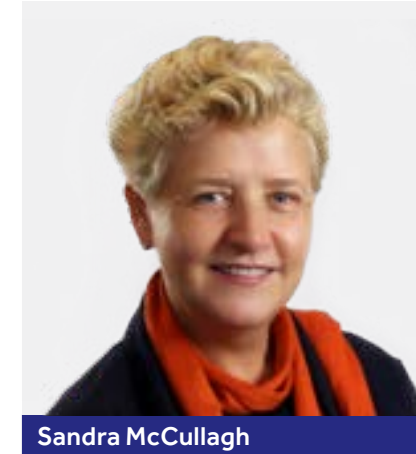
- PhD in the field of Economics
- Fellow, Australian Institute of Company Directors
- Master Member, Stockbrokers and Financial Advisers Association

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

Professor Drew is the Managing Partner at MGD Private and a Professor of Finance at Griffith University.

Concurrently, he serves as a member of the Investment Advisory Board of the Petroleum Fund of Timor-Leste and as a Trustee (and member of the Finance, Audit, and Risk Committee) of Mary Aikenhead Ministries.

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



Sandra McCullagh

Trustee

Principal and Director, About Energy

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

Ms McCullagh is the Principal and Director of About Energy, a consulting firm in the areas of energy, environment, social and governance issues.

Ms McCullagh is currently a member of the Investor Group on Climate Change and the Queensland Government's Climate Advisory Council.

Ms McCullagh is also the former Chair of Clayfield College and is on the Board of the Sydney Dance Company.

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

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

Specialist Committee Member



Chris Condon

Principal, Chris Condon Financial Services

- Bachelor of Commerce
- First Class Honours in Finance

Mr Condon established his consulting firm in March 2010 to help institutional investors develop, implement, and manage their investment programs.

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

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

Board meeting attendance 2020-21 financial year

Name	Attendance
Don Luke ¹	●●●●●●●●●●●●●●●●●●
Beth Mohle AM	●●●●●●●●●●●●●●●●●●
Shayne Maxwell	●●●●●●●●●●●●●●●●○
Kate Ruttiman	●●●●●●●●●●●●●●●●○
Bruce Cowley ²	●●●●●●●●●●●●●●●●●●
Walter Ivessa	●●●●●●●●●●●●●●●●●
Mary-Anne Curtis	●●●●●●●●●●●●●●●●●●
Michael E. Drew ¹	●●●●●●●●●●●●●●●●○
Sandra McCullagh	●●●●●●●●●●●●●●●●●●

QSuper Board committees

The QSuper Board has a number of committees that oversee corporate governance responsibilities. These committees make recommendations to the QSuper Board, which is ultimately responsible for decision making. A charter guides each committee, its structure, responsibilities, and administration. While committees have specific membership, all Trustees may attend committee meetings. The QSuper Board has also appointed a specialist committee member to its Investment Committee. The QSuper Board used the following committees in 2020-21.

Audit & Risk Committee

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

- Financial reporting
- Internal controls
- Risk management systems
- Anti-money laundering
- Licensing and other legal and regulatory issues
- Investment administration
- Compliance
- Internal and external audit functions.

Investment Committee

The Investment Committee helps the QSuper Board with oversight of the investment of Fund assets. The Committee's principal duties and responsibilities include:

- Recommending to the QSuper Board the investment objectives for the Fund and its various investment options
- Recommending to the QSuper Board the investment policy for the Fund
- Reviewing the adequacy of QSuper investment options and their ability to meet members' retirement needs
- Recommending the investment delegations for QSuper Group management
- Monitoring investment performance, including the performance of external investment managers
- Discussing investment issues with the QSuper Board and/or management (and independent parties, if and when the need arises).

Chris Condon is an external committee member chosen for his specialist knowledge of superannuation and investment matters.

People & Nominations Committee

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

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

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

Merger Proposal Board Steering Committee

The Merger Proposal Board Steering Committee was established to provide an objective, non-executive approval mechanism for potential Successor Fund Transfers or Merger Proposals. This includes any form of engagement between QSuper and another trustee of a superannuation fund and consideration of any appropriate form of joint venture, alliance, merger, or other forms of successor fund transfer. The Committee provides oversight of the effectiveness of the internal controls for monitoring compliance with established QSuper processes, the agreed terms of each Merger Proposal, and all relevant laws and regulatory guidance to each merger proposal.



Managing our members' super

QSuper's investment arrangements

QSuper Board's approach to investing

The QSuper Board's key objective is to help our members achieve their retirement goals. To do this, the QSuper Board offers a number of investment options (pages 20-21), each with its own return objective, risk profile, and investment strategy. These are underpinned by the QSuper Board's core investment principles, which aim to reduce market volatility for consistent returns, so we can deliver better retirement outcomes for our members.

Who invests your money?

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

1 Don Luke and Professor Michael E. Drew were both appointed as Board Chair and Trustee respectively on 1 January 2020.

2 Bruce Cowley was appointed as a Trustee on 1 December 2019.

Manager arrangements as at 30 June 2021

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

Single assets valued above 5% of total funds under management

At 30 June 2021, the Fund held no single underlying asset valued at more than 5% of the Fund’s total assets.

Monitoring QSuper’s investment option asset ranges

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

Monitoring QSuper’s external investment management agreements

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

Our investment policies

Derivatives policy

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

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

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

Derivatives charge ratio

The derivatives charge ratio is the percentage of total market value of the assets of QSuper (other than cash) that the QSuper Board has charged as security for derivative instruments made by the QSuper Board. The derivatives charge ratio didn’t exceed 5% of QSuper’s assets at any time during the 2020-21 financial year.

In-house asset policy

The *Superannuation Industry (Supervision) Act 1993* details the in-house asset rules that are designed to make sure investments set aside to provide for members’ retirement incomes aren’t dependent on the success of the business activities of an employer, or other related party. These in-house assets can’t exceed 5% of total assets. During the 2020-21 financial year, QSuper didn’t have more than 5% in-house assets at any time.

VPP (closed) investment option

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

The VPP crediting rate for the 2020-21 financial year was applied to the VPP (closed) investment option member accounts before the capital guarantee was debited. The VPP crediting rate for the 2020-21 financial year after subtracting the capital guarantee fee was 6.31%.

Defined Benefit accounts (closed fund)

About these accounts

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

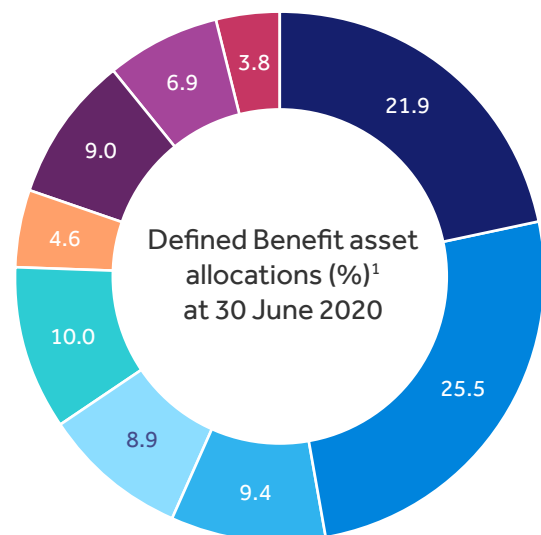
The amount an employer is required to contribute is calculated based on an actuarial formula. The QSuper Board, and the Queensland Government as the employer sponsor of the Fund, invest the member and employer contributions to make sure there are sufficient funds to pay all Defined Benefit account benefits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

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

Investment objective

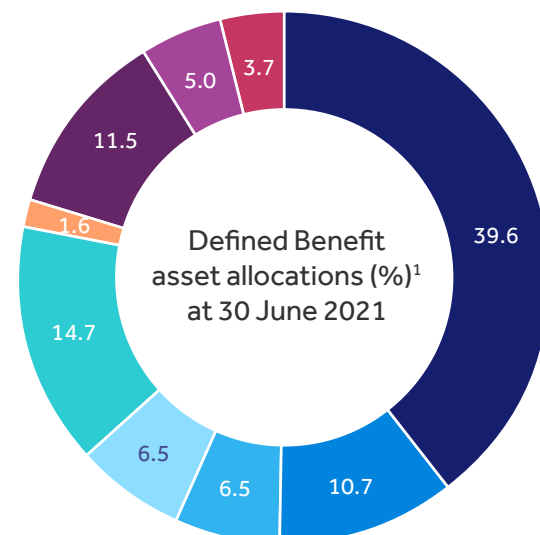
The investment objective for both the Queensland Government and QSuper Defined Benefit pools is to ensure that there are sufficient funds to pay all members’ Defined Benefit entitlements when needed. The asset allocations and investment ranges (included in the table on the next page) aim to meet this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

1 Figures have been rounded for member reporting purposes.



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

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



Global equities	39.6%▲
Fixed income	10.7%▼
Cash	6.5%▼
Real estate	6.5%▼
Infrastructure	14.7%▲
Illiquid alternatives (run-down)	1.6%▼
Private equity	11.5%▲
Insurance	5.0%▼
Liquid alternatives	3.7%▼

Asset allocation ranges (%) from 30 June 2021

Global equities	20-60
Fixed income	0-20
Cash	0-10
Real estate	0-15
Infrastructure	0-15
Illiquid alternatives (run-down)	-
Private capital (debt and equity)	0-30
Insurance	0-10
Liquid alternatives	0-16

Our reserves

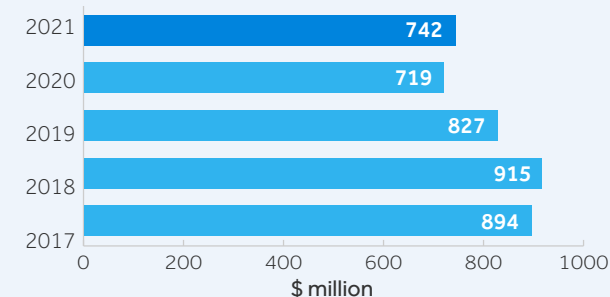
General Reserve

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

The General Reserve is funded through the administration fee and the investment revenue earned on the General Reserve.

As at 30 June 2021, the Investment Strategy for the General Reserve is to invest in the Balance investment options as well as cash deposits. This is the strategy for funds other than Investment in Service Providers (\$346m).

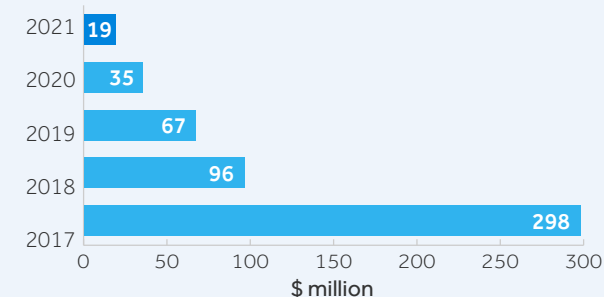
General Reserve at 30 June



Insurance Reserve

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

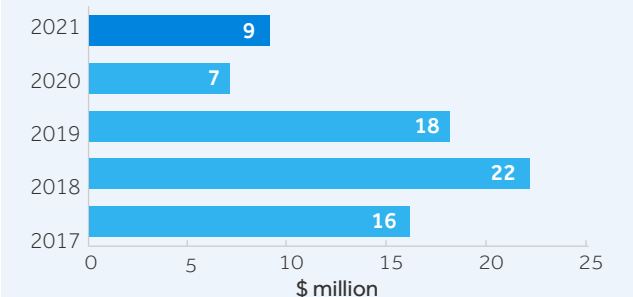
Insurance Reserve at 30 June¹



Unallocated Contributions Reserve

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

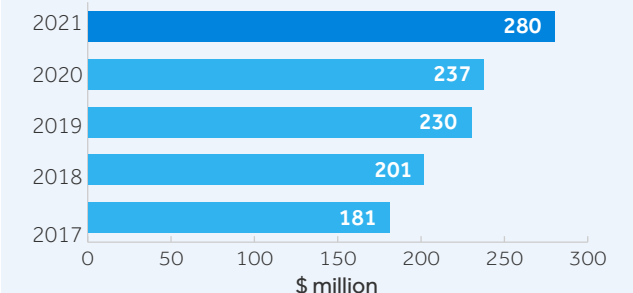
Unallocated Contributions Reserve at 30 June



Operational Risk Financial Requirement Reserve

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

Operational Risk Financial Requirement Reserve at 30 June



¹ Figures have been rounded for member reporting purposes.

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

Fund changes for 2020-21

During the 2020-21 financial year, there were a number of regulatory and product changes.

Our members were notified about these changes and you can find more information at qsuper.qld.gov.au/disclosure

Merger

On 15 March 2021

- The QSuper and Sunsuper boards signed a Heads of Agreement confirming an intention to merge the funds to create a new superannuation fund open to all Australians. Under the Heads of Agreement, the two funds would work together with a view to completing a merger.

Deed changes

From 1 July 2020

- The Superannuation (State Public Sector) Deed 1990 was amended to allow Defined Benefit (DB) members who are suffering a terminal medical condition (TMC) to access their benefit. Previously, DB members were unable to access this condition of release, unlike Accumulation account members, and could not claim the DB death benefit when suffering from a TMC. From 1 July 2020, TMC became a condition of release for DB members and they are able to access an equivalent death benefit if eligible. For more information, see qsuper.qld.gov.au/-/media/pdfs/qsuper-public/publications/ib23.pdf.

Changes to insurance

We updated our Accumulation account premium rates, which included:

From 30 November 2020

- A reduction to income protection rates for police officers.

From 1 January 2021

- An increase to death, TPD and income protection rates (excluding income protection rates for police officers).

Lifetime Pension

On 1 March 2021

- QSuper launched a new retirement product called Lifetime Pension. Exclusive to QSuper members aged 60-80 and permanently retired, Lifetime Pension is a permanent purchase, designed to provide tax-free fortnightly payments for the rest of a member's life and their spouse's life (if applicable) with potential access to Age Pension benefits. For more information, see qsuper.qld.gov.au/our-products/superannuation/lifetime-pension.

Investment changes

From 1 July 2020

- QSuper took over management of the Socially Responsible investment option from 1 July 2020, seeking to deliver a more holistic product targeting positive impact on issues identified as important to QSuper members while avoiding investments that have a negative impact. This option was previously managed externally through AMP Capital Investors Limited.
- Asset allocation ranges and Standard Risk Measures (SRMs) for some of our investment options changed from 1 July 2020. We review SRM ratings at least annually to ensure each option reflects the appropriate risk category. For more information, see the *Investment Choice Guide* at qsuper.qld.gov.au/pds.

Climate change

From 1 July 2020

- QSuper committed to using its strength as an investor to directly influence the reduction of carbon emissions that contribute to climate change. This commitment includes aligning the QSuper portfolios to a decarbonisation path consistent with achieving net-zero carbon emissions by 2050 in line with the Paris Agreement. We will issue a progress report that adheres to global best practice for the year ending 30 June 2022. More information about our climate change position is here: qsuper.qld.gov.au/investments/how-qsuper-invests/climate-change.

Advice

From 1 July 2020

- We improved a range of financial adviser services to better support members who access financial advice from their preferred financial planner, including the ability to deduct advice fees from your Accumulation or Income account where the advice related to your QSuper account.

Annual Members' Meeting

10 November 2020

- We held our inaugural Annual Members' Meeting, with members invited to view the online event.

Important information

Contact us

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

Major service providers

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

QSuper Limited –

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

QInvest Limited –

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

One QSuper Pty Ltd –

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

QSuper Asset Management Pty Ltd –

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

QInsure Limited –

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

Investment services

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

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

Administrative services

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

Internal audit services

- PricewaterhouseCoopers (PwC) – ABN 52 780 433 757

External audit services

- Deloitte – ABN 74 490 121 060

Custodian

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

- The Northern Trust Company – ABN 62 126 279 918
Level 47/80 Collins St,
Melbourne VIC 3000

Under a Master Collateral Management agreement, our collateral manager provides services including calculating, monitoring, reporting and meeting margin requirements for QSuper in relation to Derivatives trading activities. The services also include the holding and safekeeping of financial assets on our behalf in relation to those collateral management margin activities.

- Service Provider – J.P. Morgan Bank Luxembourg S.A.

Financial Statements

Statement of financial position as at 30 June 2021

Assets	Note	2021 \$m	2020 \$m
Cash and cash equivalents		2,963	13,875
Listed securities	2	38,987	27,306
Unlisted securities	2	67,566	39,143
Other interest-bearing securities	2	2,796	14,325
Derivative assets	2	146	1,970
Receivables		824	437
Investments in service providers		346	239
Employer-sponsor receivables	10	22,504	23,015
Total assets		136,132	120,310

Liabilities	Note	2021 \$m	2020 \$m
Payables		(281)	(1,508)
Derivative liabilities	2	(910)	(689)
Current tax liabilities	3	(415)	(217)
Deferred tax liabilities	3	(1,595)	(862)
Insurance liabilities		(19)	(35)
Total liabilities excluding member benefits		(3,220)	(3,311)
Net assets available for member benefits		132,912	116,999
Defined Contribution member liabilities	10, 11	(102,831)	(87,453)
Defined Benefit member liabilities	10, 11	(29,050)	(28,583)
Total member liabilities		(131,881)	(116,036)
Net assets		1,031	963

Equity	Note	2021 \$m	2020 \$m
General Reserve	4	742	719
Unallocated Contribution Reserve	4	9	7
Insurance Reserve	4	-	-
Operational Risk Financial Requirement Reserve	4	280	237
Total equity		1,031	963

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

Income statement

for the year ended 30 June 2021

Superannuation activities

		2021 \$m	2020 \$m
Income	Note		
Dividends and distributions	2	1,596	6,073
Changes in fair value of investments – realised	2	4,148	102
Changes in fair value of investments – unrealised	2	8,693	(7,048)
Interest income	2	25	209
Total net income		14,462	(664)
Expenses	Note	2021 \$m	2020 \$m
Direct investment expenses		(125)	(111)
Administration expenses		(220)	(212)
Financial planning expenses		(23)	(16)
Other expenses		(7)	(7)
Total expenses		(375)	(346)
Net result from insurance activities	6	(7)	(9)
Results from superannuation activities before income tax expense		14,080	(1,019)
Income tax (expense) / benefit	3	(1,034)	122
Results from superannuation activities after income tax expense		13,046	(897)
Allocation of results from superannuation activities after income tax expense			
Net benefits allocated to / (from) defined contribution members		11,726	231
Net change in Defined Benefit member benefits		1,353	(974)
Net allocation to / (from) reserves		(33)	(154)
Total allocation of results from superannuation activities after income tax expense		13,046	(897)

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

Statement of changes in member benefits

for the year ended 30 June 2021

	Note	Defined contribution member benefits \$m	Defined Benefit member benefits \$m	Total \$m
Opening balance as at 1 July 2020		87,453	28,583	116,036
Employer contributions		4,045	1,870	5,915
Member contributions		1,614	37	1,651
Transfers from other superannuation entities		2,299	-	2,299
Income tax on contributions		(670)	(252)	(922)
Net after-tax contributions		7,288	1,655	8,943
Benefits to members		(5,153)	(204)	(5,357)
Insurance premiums charged to members' accounts		(486)	-	(486)
Death and disability amounts received for members		399	-	399
Superannuation contributions surcharge		(2)	2	-
Internal transfers	10	1,784	(1,784)	
Transfer (to) / from reserves				
Net administration fees		(134)	(44)	(178)
Other		(44)	-	(44)
Net benefits allocated to defined contribution member accounts		11,726	-	11,726
Net change in member benefits to be funded by employer		-	(511)	(511)
Net change in Defined Benefit member benefits		-	1,353	1,353
Closing balance as at 30 June 2021		102,831	29,050	131,881

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

Statement of changes in member benefits (continued)

for the year ended 30 June 2021

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

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

Statement of changes in reserves

for the year ended 30 June 2021

	Note	General Reserve \$m	Unallocated Contribution Reserve \$m	Insurance Reserve \$m	Operational Risk Financial Requirement Reserve \$m	Total Reserves \$m
Opening balance as at 1 July 2020		719	7	-	237	963
Net administration fees from members		178	-	-	-	178
Other transfers (to) / from members	4	50	(4)	-	(2)	44
Reserves transfer		(13)	3	-	10	-
Insurance premium margin and tax	6	(121)	-	-	-	(121)
Allocation of net result from superannuation activities after income tax expense		(71)	3	-	35	(33)
Closing balance as at 30 June 2021		742	9	-	280	1,031

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

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

Statement of cash flows
for the year ended 30 June 2021

Cash flows from operating activities	Note	2021 \$m	2020 \$m
Interest received		26	242
Insurance claims received		385	402
Dividends and trust distributions received		1,595	6,080
Other revenue		1	6
Insurance premiums paid		(603)	(514)
Investment expenses		(125)	(93)
Other general administration expenses		(272)	(340)
Income tax paid		(1,028)	(995)
Net inflows / (outflows) of cash from operating activities	5	(21)	4,788

Cash flows from investing activities	Note	2021 \$m	2020 \$m
Purchase of investments		(115,543)	(83,143)
Proceeds from sale of investments		100,131	83,991
Net inflows / (outflows) of cash from investing activities		(15,412)	848

Cash flows from financing activities	Note	2021 \$m	2020 \$m
Employer contributions received		5,915	5,665
Member contributions received		1,652	1,534
Transfers from other superannuation funds		2,299	3,286
Benefits paid		(5,355)	(5,560)
Net inflows / (outflows) of cash from financing activities		4,511	4,925

Net increase / (decrease) in cash held		(10,922)	10,561
Cash at the beginning of the financial year		13,875	3,359
Effects of FX rate changes on cash and cash equivalents		10	(45)
Cash at the end of the financial year		2,963	13,875

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

Notes to the financial statements

for the year ended 30 June 2021

Note 1 General information

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

Operation of QSuper

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

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

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

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

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

Likely Developments

On 15 March 2021, the QSuper Board entered into a Heads of Agreement (HoA) with Sunsuper outlining the key terms of a proposed merger of the two funds. The merger remains subject to a range of conditions including a final decision by each Board to merge, as well as legislative and regulatory approvals.

Statement of compliance

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

The financial report of QSuper for the year ended 30 June 2021 was authorised for issue in accordance with a resolution of the Trustees on the same date as the signing of the Trustees' Report.

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

Actual results may differ from these estimates.

Valuations of investments are measured at fair value in accordance with Australian Accounting Standards.

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

Going Concern

The financial report has been prepared on a going concern basis, which contemplates the continuation of normal business operations and the realisation of assets and settlement of liabilities in the normal course of business. In making this assessment, the Board has considered future events and conditions for the period of 12 months following the approval of these financial statements, including the impact of the ongoing COVID-19 pandemic and the proposed QSuper and Sunsuper merger.

Standards and interpretations adopted during the year

QSuper has adopted all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for an accounting period that begins on or after 1 July 2020.

AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business

These amendments clarify the definition of a business within AASB 3 Business Combinations, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or asset acquisition. There is no impact on QSuper’s financial statements due to these amendments.

AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material

These amendments are intended to address concerns that the wording in the definition of ‘material’ was different in the Conceptual Framework for Financial Reporting, AASB 101 Presentation of Financial Statements and AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors. There is no impact on QSuper’s financial statements due to these amendments.

AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework

Makes amendments to various Australian Standards and other pronouncements to support the issue of the revised Conceptual Framework for Financial Reporting. There is no impact on QSuper’s financial statements due to these amendments.

Standards and interpretations in issue not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2021 reporting periods and have not been adopted early by QSuper. These standards are not expected to have a material impact on the entity in future reporting periods or on foreseeable future transactions.

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

QSuper’s wholly owned subsidiary QInsure will be impacted by the Standard and it is expected to change profit emergence patterns, and add complexity to valuation processes, data requirements, assumption setting processes and the requirements for analysing and communicating results. QInsure has commenced a program of work to implement the standard from 1 July 2023.

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

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

Significant accounting policies

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

Rounding

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

Significant accounting judgements, estimates, and assumptions

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

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

Comparatives

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

Consolidation

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

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

Given that the main purpose of QSL and its subsidiaries is to deliver member retirement outcomes through the provision of administration, financial advice, investment management and insurance services, QSL does not meet the exception criteria and is required to be consolidated.

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

Commitments, contingent assets, and contingent liabilities

QSuper has unfunded commitments with investment managers to the value of \$2,717m as at 30 June 2021 (2020: \$2,809m).

As at 30 June 2020 QSuper had an unfunded commitment with QSL to provide additional capital to support the operations and ongoing regulatory capital requirements

of QInsure. This agreement expired during this financial year, accordingly, there is no unfunded commitment between QSuper and QSL as at 30 June 2021. There are no other material commitments, contingent assets or contingent liabilities as at 30 June 2021.

COVID-19

The novel coronavirus outbreak (COVID-19) has continued to have an ongoing impact on the global economy during this financial year. As a large institutional global investor, QSuper has well established policies to specifically address the risks associated with significant external market events such as the COVID-19 pandemic and these have been applied consistently throughout the year ended 30 June 2021. Accordingly, there have been no changes to accounting policies required as a result of the COVID-19 pandemic nor have there been changes to the basis on which these general purpose financial reports have been prepared.

During this financial year, employees have recommenced some work activities in the office, with changes to ensure the workplace complies with Safe Work Australia COVID-19 Guidelines and Queensland Heath directives.

Subsequent events

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Trustees of QSuper, to affect significantly the operations of QSuper, the results of those operations, or the state of affairs of QSuper in future years.

Auditor’s remuneration

Other regulatory and assurance services	2021 \$’000	2020 \$’000
Fees paid by QSuper:		
Audit of financial reports	367	305
Other regulatory assurance and non-audit services	86	136
Fees paid by QSL and its wholly-owned entities:		
Audit of financial reports	681	581
Other regulatory assurance and non-audit services	677	456
Total auditor remuneration	1,811	1,478

Actuarial remuneration

Queensland State Actuary	2021 \$’000	2020 \$’000
Actuarial services	422	408
Total actuarial remuneration	422	408

Note 2 Investments and derivatives

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

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

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

Initial recognition

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

Subsequent measurement of investments

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

Fair value hierarchy

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

For financial instruments that trade infrequently or do not have observable market quoted prices, fair value is less objective and requires varying degrees of judgement depending on liquidity, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. This includes consideration of the impact of the risks associated with the COVID-19 pandemic on the fair value of financial assets and liabilities on the investments of QSuper.

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

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

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

30 June 2021	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
Listed securities	38,987	-	-	38,987
Other interest-bearing securities				
Fixed interest bonds	-	1,300	-	1,300
Discount securities	-	1,496	-	1,496
Derivative assets / liabilities				
Futures	(18)	-	-	(18)
Swaps	-	-	-	-
Forward foreign exchange contracts	-	(745)	-	(745)
Unlisted securities				
Infrastructure	-	-	10,491	10,491
Real estate	-	-	6,007	6,007
Private equity	-	-	5,992	5,992
Alternatives	-	5,340	585	5,925
Cash and fixed interest	-	39,150	-	39,150
Total	38,969	46,541	23,075	108,585

30 June 2020	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
Listed securities	27,054	252	-	27,306
Other interest-bearing securities				
Fixed interest bonds	-	2,963	-	2,963
Discount securities	-	11,362	-	11,362
Derivative assets / liabilities				
Futures	13	-	-	13
Swaps	-	32	-	32
Forward foreign exchange contracts	-	1,236	-	1,236
Unlisted securities				
Infrastructure	-	-	9,425	9,425
Real estate	-	-	5,842	5,842
Private equity	-	-	4,993	4,993
Alternatives	-	2,603	-	2,603
Cash and fixed interest	-	16,280	-	16,280
Total	27,067	34,728	20,260	82,055

Investments not included in the above tables are cash, short term deposits and margin accounts totaling \$2,963m (2020: \$13,875m). These investments and the investments illustrated in the fair value hierarchy table equate to the total investments as at 30 June 2021 of \$111,548m (2020: \$95,930m) including derivative liabilities of \$910m (2020: \$689m) and excluding investments in service providers.

Reconciliation of Level 3 fair value measurements of financial assets

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

	2021 \$m	2020 \$m
Opening balance	20,260	21,393
Total gains or losses:		
In income statement	3,160	(2,314)
Purchases	2,985	1,315
Redemptions / disposal	(3,330)	(134)
Transfers into Level 3	-	-
Transfers out to Level 2	-	-
Transfers out to Level 1	-	-
Closing balance	23,075	20,260

Of the total gains or losses for the period included in the income statement, gains of \$2,514m (2020: losses of \$2,214m) relate to unlisted unit trusts held at the end of the reporting period. Fair value gains or losses on investment are included in 'Changes in fair value of investments'.

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

Type	Fair value \$m	Valuation methodology	Inter-relationship between key unobservable inputs and fair value measurement
Unlisted securities	23,075	Underlying assets are valued based on projected cashflows and discount rates, or using EBITDA multiples.	An increase in the value of the underlying investments of the unit trusts will result in higher fair values. Reductions would result in lower fair values.

Recognition and measurement

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

Changes in fair value of investments

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

Other significant revenue streams

Interest revenue

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

Dividend revenue

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

Distributions from unit trusts

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

Note 3 Income tax

(a) Major components of income tax

	2021 \$m	2020 \$m
Current income tax		
Current income tax	224	273
Adjustments in respect of current income tax of previous years	76	18
Deferred income tax		
Relating to origination and reversal of temporary differences in deferred tax liability	734	(413)
Income tax expense / (benefit) reported in income statement	1,034	(122)

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

	2021 \$m	2020 \$m
Results from superannuation activities	14,080	(1,019)
Prima facie income tax expense / (benefit) at the rate of 15%	2,112	(153)
Tax effect of non-deductible expenses and non-assessable income in calculating the taxable amount:		
Differences between tax and accounting net investment income	(412)	191
Notional premium for death or disability cover	(22)	(17)
Net imputation and foreign tax credits	(154)	(176)
Exempt current pension income	(472)	27
Other	(18)	6
Income tax expense / (benefit) reported in income statement	1,034	(122)

(b) Deferred income tax

	2021 \$m	2020 \$m
Movements in deferred tax asset		
Opening balance	8	29
Change to income statement	16	(21)
Closing balance at 30 June	24	8
Deferred tax asset comprises		
Investments	15	6
Other	9	2
Total deferred tax asset	24	8
Movements in deferred tax liability		
Opening balance	(870)	(1,304)
Change to income statement	(749)	434
Closing balance at 30 June	(1,619)	(870)
Deferred tax liability comprises		
Unrealised gains in investments	(1,619)	(870)
Total deferred tax liability	(1,619)	(870)
Net deferred tax asset / (liability)	(1,595)	(862)

Potential Impact of ATO Audit

On 18 November 2020, the Australian Taxation Office (ATO) commenced a tax audit in relation to derivative instruments held by QSuper over the 2015 to 2021 income tax years. The tax audit is ongoing and at the time of writing, the ATO has not provided QSuper with new tax assessments or position papers indicating that further tax may be due. The taxation issues involve complex considerations that are highly dependent on their facts. QSuper has consistently acted in accordance with tax advice and believes the position it has adopted is reasonable.

Recognition and measurement

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

Current tax

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

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

Deferred tax

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

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

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

Key estimates

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

Note 4 Reserves

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

Recognition and measurement

General Reserve

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

During the year, an amount of cash held in the Fund’s operating bank account has been identified to be in excess of member liabilities and has been included in the closing balance of the General Reserve. No individual member account balances were impacted as a result of this reclassification.

Unallocated Contributions Reserve

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

Insurance Reserve

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

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

Operational Risk Financial Requirement Reserve

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

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

Note 5 Reconciliation of operating cash flows

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

	2021 \$m	2020 \$m
Net allocation to / (from) reserves	(33)	(154)
Adjustments for net change in non-operating activities:		
Assets measured at fair value	(12,841)	6,946
Receivables	(6)	(21)
Payables	(20)	(18)
Insurance liabilities	(16)	(32)
Income tax payable	8	(1,114)
Self-insurance claims included in benefits	16	32
Reserves	(121)	(115)
Member benefits	12,992	(736)
Net inflow of cash from operating activities	(21)	4,788

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

Note 6 Insurance arrangements

QInsure Limited

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

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

- The principles of allocation arising from QInsure profits are as follows:
- i) Investment income on retained earnings in respect of participating business is allocated 80% to the policyholder and 20% to the shareholder.
 - ii) Other profits arising from participating business are allocated 80% to the policyholder and 20% to the shareholder.
 - iii) All investment income on shareholder capital and retained earnings (excluding those dealt with in (i) above) are fully allocated to the shareholder.
- As at reporting date, the value of the unvested policyholder profits recorded by QInsure is \$155m (2020: \$121m). Payment of this amount requires approval from the Board of QInsure and any such payment would be recognised as income by QSuper once declared by the Board of QInsure.

A summary of key operating results and balances from QInsure for the year ended 30 June 2021 are as follows:

	2021 \$m	2020 \$m
Statement of profit or loss and other comprehensive income		
Premium revenue	619	521
Claims expense	(399)	(393)
Outwards reinsurance expense	(79)	(64)
Reinsurance recoveries	62	60
Net result from insurance activities after-tax	8	7
Statement of financial position		
Total assets	1,278	1,045
Gross policy liabilities	(776)	(665)
Net assets	322	224

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

Key assumption	Details and process used to select assumption	Range of values
Discount rates	Discount rates are based on a risk-free yield curve derived from the Australian Commonwealth Government bond market yields as at the valuation date. Benefits under life insurance contracts are not contractually linked to the performance of the assets held. As a result, the policy liabilities are discounted for the time value of money using discount rates that are based on current observable, objective rates that relate to the nature, structure and term of the future obligations.	The effective discount rates adopted ranged from 0.01% to 2.96% per annum (2020: 0.19% to 2.66% per annum)
Incurred but not reported (IBNR) assumptions	Allowance was made for inherent delays in reporting claims based on investigations into the historic QSuper experience (as self-insurer) and QInsure results since commencement of operations. The IBNR is determined using a variety of methods. Death, IP and non-IP-linked TPD use the Bornhuetter-Ferguson method. The linked TPD IBNR is calculated based on the actual IP claims at valuation date using assumptions on the probability of conversions to TPD.	The overall loss ratios were between 34% and 125% (2020: 53% and 109%). The average claims reporting delays were between 1.8 months and 25.5 months (2020: 1.4 months and 23.4 months). The IP to TPD conversion rates were between 1.0% and 50.9%.
Claim termination	Relates to the duration of income protection claims. Rates are based on FSC-KPMG 2014 – 2018 industry standard tables. This is a new table introduced during the year. Claim termination rates are adjusted to reflect historic QSuper experience (as self-insurer) and QInsure’s experience since the commencement of operations.	Refer to the FSC-KPMG 2014 – 2018 industry standard tables for values adopted. The range of factors extend from 52% to 494% (2020: 33% to 233% based on FSC-KPMG 2007-2011)
Claims expense	Claims expense assumptions for outstanding claims are set based on the expected cost of administering claims over the next year.	
Inflation	The outstanding income protection claims are assumed to increase each year in line with inflation. The inflation is based on the Brisbane “All Groups Consumer Price Index” for the period 1 July 2020 to 30 June 2021.	The inflation rate assumed was 5.0% for the indexation in August 2021 and reverts to 1.7% for future years (2020: 1.7%).

Self-insurance

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

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

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

	2021 \$m	2020 \$m
Insurance contract revenue	-	-
Net premium revenue	-	-
Claims paid	(16)	(32)
Movement in insurance liabilities	16	32
Net incurred claims	-	-
Insurance result	-	-
Policy maintenance expense	(7)	(9)
Net loss from insurance activities	(7)	(9)

Note 7 Key management personnel

Trustees and key management personnel

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

Name	Date commenced / (ceased) as Trustee
Mr Don Luke (Chair)	January 2020
Mr Walter Ivessa	June 2009 / (May 2021)
Mrs Elizabeth (Beth) Ruth Mohle	December 2013
Mr Shayne Robert Maxwell	June 2018
Ms Mary-Anne Curtis	July 2018
Ms Kate Ruttiman	December 2018
Ms Sandra McCullagh	February 2019
Professor Michael Drew	January 2020
Mr Bruce Cowley	December 2019

Fund secretary

Name	Date commenced in role
Mr Trevor Golden	July 2011

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

Name	Role	Date commenced / (ceased) in a Chief role
Mr Michael Pennisi	Group Chief Executive Officer	23 October 2015 ¹
Ms Anne Browne	Chief Risk Officer	24 February 2016
Ms Kim Hughes	Chief of QInvest (previously Chief of Member Support and Advice)	30 April 2018 / (23 October 2020)
Mr Charles Woodhouse	Chief Investment Officer	2 September 2019
Mr Paul Landy	Chief of People & Transformation	15 December 2010
Ms Karin Muller	Chief Operating Officer	26 April 2016
Mr Jason Murray	Chief of Member Experience	10 April 2017
Mr Philip Fraser	CEO of QInsure	24 September 2018
Mr John Seccombe	Chief Financial Officer – Acting	25 December 2019

¹ Michael Pennisi will cease to hold the role of Group Chief Executive Officer effective 1 October 2021.

Remuneration policy

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

Remuneration governance

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

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

Trustee remuneration

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

The Board is remunerated in accordance with rates approved by the Treasurer, as Minister, in consultation with the Board.

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

Executive remuneration

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

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

Performance linkages

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

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

Short-term incentives (STI)

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

Investment STI
(Chief Investment Officer (CIO) only)

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

Corporate STI
(all executives excluding the CIO)

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

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

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

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

Payment outcomes

STI Deferral mechanisms for the Group Chief Executive Officer (Group CEO) and all Chief Officers are in place aligning executive reward with the interest of members, managing retention and continuing to encourage a long-term focus and appropriate risk management.

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

Dual-hatting

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

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

Role	Allocation to QInsure
Group Chief Executive Officer	0%
Chief Financial Officer	25%
Chief Risk Officer	25%
Chief Executive Officer of QInsure	100%

Basis for preparation

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

Remuneration disclosures for QSuper executive members who were in the role for the whole of or part of 2021 are detailed in the following table. Current year annual leave provisions are included in the cash fixed column. Remuneration comprises the total value of remuneration received or receivable by QSuper executives for their roles in QSuper and its wholly-owned subsidiaries.

Executive remuneration¹

Chief Officer	Short-term employee benefits \$			Post-employment benefit \$	Termination benefits	Other incentive amounts ⁴	Long service leave
	Cash fixed ²	Non-monetary fixed	Cash STI ³	Pension and super-annuation			
Year ended 30 June 2021							
Michael Pennisi	609,124	9,492	396,813	89,991	-	27,982	15,602
Kulwant Singh-Pangly	-	-	-	-	-	7,966	-
Anne Browne	350,124	-	179,780	31,694	-	13,408	19,999
Kim Hughes	93,968	-	-	19,664	290,595	4,253	(30,554)
Paul Landy	380,943	9,492	176,385	38,296	-	12,617	10,509
Karin Muller	422,164	-	208,235	41,774	-	13,169	18,712
Jason Murray	371,562	-	175,633	30,886	-	12,738	12,547
Philip Fraser	365,095	-	179,148	31,606	-	10,377	7,824
John Seccombe	358,180	-	174,241	30,551	-	-	15,808
Charles Woodhouse	455,697	-	441,933	38,678	-	-	13,872
Year ended 30 June 2020							
Michael Pennisi	578,731	9,681	282,729	82,658	-	(2,135)	21,791
Kulwant Singh-Pangly	225,699	-	-	19,615	-	(1,174)	784
Anne Browne	350,865	-	131,878	31,213	-	(969)	20,903
Kim Hughes	307,582	-	-	28,278	-	(321)	10,364
Brad Holzberger	164,239	-	140,182	6,731	-	-	(3,563)
Paul Landy	368,637	9,681	128,404	40,230	-	(962)	10,941
Karin Muller	382,319	-	143,980	41,011	-	(892)	12,567
Jason Murray	354,112	-	131,198	33,082	-	(932)	9,175
Philip Fraser	360,913	-	106,514	32,975	-	(394)	4,921
John Seccombe	196,004	-	73,652	16,221	-	-	7,179
Charles Woodhouse	389,085	-	322,785	36,492	-	-	21,859

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

Board remuneration¹

Remuneration disclosures for Trustees who were in the role for the whole or part of the 2021 financial year are detailed in the table below.

	Short-term employee benefits \$			Post-employment benefit \$		
Trustee	Cash fixed ²	Non-monetary fixed	Cash STI payment ³	Pension and super-annuation	Termination benefits	Other, e.g. long service leave
Year ended 30 June 2021						
Don Luke (Chair)	127,443	-	-	12,107	-	-
Walter Ivessa ⁶	55,821	-	-	5,303	-	-
Elizabeth Mohle ⁵	64,126	-	-	-	-	-
Shayne Maxwell ⁵	63,924	-	-	3,027	-	-
Mary-Anne Curtis ⁴	-	-	-	-	-	-
Kate Ruttiman ⁵	64,126	-	-	-	-	-
Sandra McCullagh	52,892	-	-	16,884	-	-
Professor Michael Drew	64,126	-	-	-	-	-
Bruce Cowley	63,722	-	-	6,054	-	-
Year ended 30 June 2020						
Don Luke (Chair) ⁶	80,157	-	-	7,615	-	-
Karl Morris (Chair) ⁶	81,302	-	-	-	-	-
Walter Ivessa	80,800	-	-	7,676	-	-
Elizabeth Mohle ⁵	80,157	-	-	-	-	-
Shayne Maxwell ⁵	80,479	-	-	3,838	-	-
Mary-Anne Curtis ⁴	-	-	-	-	-	-
Kate Ruttiman ⁵	80,157	-	-	-	-	-
Sandra McCullagh	64,280	-	-	24,196	-	-
Professor Michael Drew ⁶	40,079	-	-	-	-	-
Bruce Cowley ⁶	46,861	-	-	4,452	-	-
Ruth McFarlane ^{4, 6}	-	-	-	-	-	-
Stephen Christie ⁶	40,721	-	-	3,868	-	-

1 Reporting is in line with accounting standards. **2** Cash fixed remuneration includes Trustee fees (exclusive of GST if applicable) and any salary sacrificed benefits other than superannuation (which is included in Pension and superannuation amounts). **3** Trustees do not participate in a Short Term Incentive (STI). **4** In accordance with QSuper policy, Trustees who are active Queensland Public Sector employees are not entitled to be remunerated for their QSuper Board activities. **5** All Trustees are remunerated personally except Kate Ruttiman (Qld Teachers' Union), Elizabeth Mohle (Qld Nurses & Midwives' Union) and Shayne Maxwell (50% paid to Queensland Police Union). **6** Part-year appointment. No termination or sign on payments were made to Trustees during the financial year. Appointment terms, including remuneration rates, are in accordance with the QSuper Act and approved by the Treasurer.

Short-term incentive scheme

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

Chief Officer	Financial year the incentive relates to	Grant date	STI amount \$	STI deferral amount ⁴ \$	Financial year of STI payment	Paid	% of potential incentive paid	% of potential incentive forfeited
Michael Pennisi	2021	Sept 2021	297,610	-	2021/2022	22 Sept 2021	81%	19%
			-	99,203	2023/2024	-	-	-
	2020	Sept 2020	-	84,363	2022/2023	-	-	-
	2019	Sept 2019	-	90,208	2021/2022	22 Sept 2021	100%	0%
Kulwant Singh-Pangly ²	2021	-	-	-	-	-	-	-
	2020	-	-	-	-	-	-	-
	2019	Sept 2019	-	50,243	2021/2022	22 Sept 2021	100%	0%
Anne Browne	2021	Sept 2021	134,835	-	2021/2022	22 Sept 2021	82%	18%
			-	44,945	2023/2024	-	-	-
	2020	Sept 2020	-	39,351	2022/2023	-	-	-
	2019	Sept 2019	-	44,323	2021/2022	22 Sept 2021	100%	0%
Kim Hughes ³	2021	-	-	-	-	-	-	-
	2020	-	-	-	-	-	-	-
	2019	Sept 2019	-	26,828	2021/2022	22 Sept 2021	100%	0%
Charles Woodhouse ¹	2021	Sept 2021	331,450	-	2021/2022	22 Sept 2021	88%	12%
			-	110,483	2023/2024	-	-	-
Paul Landy	2021	Sept 2021	132,289	-	2021/2022	22 Sept 2021	81%	19%
			-	44,096	2023/2024	-	-	-
	2020	Sept 2020	-	38,314	2022/2023	-	-	-
	2019	Sept 2019	-	40,391	2021/2022	22 Sept 2021	100%	0%
Karin Muller	2021	Sept 2021	156,176	-	2021/2022	22 Sept 2021	84%	16%
			-	52,059	2023/2024	-	-	-
	2020	Sept 2020	-	42,962	2022/2023	-	-	-
	2019	Sept 2019	-	39,120	2021/2022	22 Sept 2021	100%	0%
Jason Murray	2021	Sept 2021	131,725	-	2021/2022	22 Sept 2021	83%	17%
			-	43,908	2023/2024	-	-	-
	2020	Sept 2020	-	39,148	2022/2023	-	-	-
	2019	Sept 2019	-	40,305	2021/2022	22 Sept 2021	100%	0%
Philip Fraser	2021	Sept 2021	134,361	-	2021/2022	22 Sept 2021	83%	17%
			-	44,787	2023/2024	-	-	-
	2020	Sept 2020	-	31,782	2022/2023	-	-	-
	2019	Sept 2019	-	32,947	2021/2022	22 Sept 2021	100%	-
John Seccombe	2021	Sept 2021	130,682	-	2021/2022	22 Sept 2021	83%	17%
			-	43,560	2023/2024	-	-	-

1 Prior to FY21 the Chief Investment Officer was not eligible for a deferral amount. **2** These executives have ceased employment with the Group prior to FY21. **3** These executives have ceased employment with the Group during FY21. **4** Payment is held at risk until the end of the 2 year deferral period. The Deferral Amount will be converted into a notional number of units whose performance over the STI Deferral period will reflect the performance of the QSuper GAP Fund. The amount shown has been adjusted for any increase / (decrease) in future amounts payable attributable to this performance.

Note 8 Related parties

Transactions with key management personnel

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

QSL is appointed by the Queensland Government to provide administration services to Queensland Treasury. For the year ended 30 June 2021 it received compensation of \$0.5m (2020: \$0.4m) for providing these services. A number of QSuper Trustees are or have previously been employees of the Queensland Government.

Mr Bruce Cowley was a Partner of law firm MinterEllison until 31 December 2019. QSL has paid fees for legal services provided to the Group by MinterEllison of \$0.04m during the year ending 30 June 2021 (2020: \$0.04m).

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

Transactions between QSuper and service providers

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

During the financial year, fees paid / payable to QSL and its wholly-owned entities aggregated \$292m (2020: \$273m). QSL owns 100% of the ordinary shares of QInsure, QIL, OneQ and QAM. QIL provides financial planning services and is paid a financial planning fee by QSuper. OneQ provides a labour hire service and is paid labour hire fees by QSuper. QAM provides investment services to QSuper. QInsure provides group lump sum (death and TPD) and group disability (income protection) insurance policies to QSuper.

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

	2021 \$m	2020 \$m
QSL	97	183
QIL	41	1
OneQ	101	89
QAM	46	28
QInsure	7	(28)

Advertising and sponsorship paid by related parties during the financial year was \$9m (2020: \$8m).

Investments in associated entities

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

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

QS International Strategy Trust
QS US Strategy Trust
QSuper Global Private Equity Trust
QS High Duration Bonds Trust
QSuper Term Deposit Trust
QSuper Global Real Estate Trust
QSuper Global Real Estate Debt Trust
QSuper Investment Company Pty Ltd
QSuper Global Infrastructure Trust
QSuper Global Infrastructure Debt Trust
QSuper European Infrastructure Trust
QSuper US Infrastructure Trust
QSuper US Infrastructure Trust No. 2
QSuper US Infrastructure Trust No. 3
QS US Infrastructure Trust No.4
QS Ports Trust No.1A
QS Ports Trust No.1B
QS NZ Power Trust No. 2
QS Infrastructure Mandate No. 2B Trust
QS Global Infrastructure Trust No. 2
QS Sovereign Bonds Trust
QS US Real Estate Trust No. 3
QS High Duration Bonds Trust Two
QSuper Investments Trust
QS Cash Management Trust

QSuper Diversified Alternatives Trust
QSuper Diversified Alternatives Trust No. 2
QS Diversified Alternatives Trust No. 3
QSuper Long Term Risk Hedge 10 Trust
QSuper Long Term Risk Hedge 20 Trust
QSuper US RE Trust No. 1
QS US Real Estate Trust No. 2
QS Global Real Estate Trust No. 2
QS Diversified Infrastructure Fund No. 1
QSuper Australian Infrastructure Equity Trust
QSuper Australian Infrastructure Equity Trust No. 2
QSuper Australian Infrastructure Equity Trust No. 3
QSuper Investments Trust No. 2
QS NZ Infrastructure Equity Trust
QS Infrastructure Mandate No.2 Trust
QS Infrastructure Mandate No.2A Trust
QS Infrastructure Mandate No. 1B Trust
QS US Real Estate Trust No. 4
QSuper Diversified Alternatives Trust No. 4
QS Australian Infrastructure Equity Trust No. 4
QS Diversified Alternatives Equity Trust No.5
QS Diversified Alternatives Trust No. 6
QS US Real Estate Trust No. 5
QS Iona Holdings Pty Ltd

Note 9 Financial instruments

Overview

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

The majority of investments of QSuper are held in custody on behalf of the Board by The Northern Trust Company (NT) who acts as the custodian. NT was appointed as custodian on 30 November 2019.

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

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

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

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

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

The Audit & Risk Committee (ARC) assists the Board in discharging its governance and administrative responsibilities. The ARC’s role encompasses reviewing the management of risk, including overseeing the material risks and ensuring appropriate internal controls are in place to address those risks, operational investment governance, monitoring

the compliance of QSuper with legislative requirements, reviewing internal and external audit findings and monitoring the implementation of audit recommendations, and reviewing financial statements.

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

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

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

Market risk

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

Valuations

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

Price risk

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

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

Sensitivity analysis

In accordance with *AASB 7 Financial Instruments*: Disclosure, the sensitivity analysis is based on historical data over the past five (5) years and reasonably possible investment return range movements by asset class during the financial year. In 2020, a broader range of investment returns were disclosed for listed securities representing the market impacts of the COVID-19 pandemic at that time.

Sensitivities used	2021	2020
Listed Securities	7-13%	5-30%
Unlisted Securities - Infrastructure	8-16%	11-20%
Unlisted Securities - Real Estate	4-7%	6-12%
Unlisted Securities - Private Equity	11-21%	11-20%
Unlisted Securities - Alternatives	2-4%	2-4%

The increase / (decrease) in the market price against the investments of QSuper at 30 June would have increased / (decreased) the amount in operating result from superannuation activities by the amounts shown below. This analysis assumes that all other variables, in particular interest rates and foreign exchange rates, remain constant. The analysis is performed on the same basis for 2021 whereby the assets which are applied are the non-interest bearing instruments and are not guaranteed. Asset classes are consistent with information provided internally to key management personnel.

Sensitivity of price risk and changes on net assets	% range	Low ± \$m	High ± \$m
30 June 2021			
Listed Securities	7-13%	2,347	4,359
Unlisted Securities - Infrastructure	8-16%	881	1,637
Unlisted Securities - Real Estate	4-7%	177	330
Unlisted Securities - Private Equity	11-21%	663	1,231
Unlisted Securities - Alternatives	2-4%	124	231
30 June 2020			
Listed Securities	5-30	1,146	6,873
Unlisted Securities - Infrastructure	11-20	1,037	1,885
Unlisted Securities - Real Estate	6-12	296	591
Unlisted Securities - Private Equity	11-20	541	984
Unlisted Securities - Alternatives	2-4	52	104

Foreign exchange risk

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

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

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

Net foreign currency exposure at 30 June 2021 was \$14,272m (2020: \$10,974m) with the largest exposure being to the US dollar.

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

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

Sensitivity analysis

An increase in the value of foreign currencies by 10% relative to the AUD would increase the net assets of QSuper by \$1,427m (30 June 2020: \$1,097m), a decrease in the value of foreign currencies by 10% relative to the AUD would decrease the net assets of QSuper by \$1,427m (30 June 2020: \$1,097m).

Interest rate risk

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

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

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

Sensitivity analysis

A 100 basis point movement represents management’s assessment of a reasonably possible maximum change in interest rates. As at 30 June 2021 a 100 basis point movement would have a \$2,581m (30 June 2020:\$2,388m) impact on the net assets of QSuper.

Credit risk

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

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

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

QSuper may use derivative contracts to manage its exposure to credit risk in accordance with approved investment strategies. The fair value of credit related derivatives held at 30 June 2021 was immaterial.

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

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

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

Concentrations of risk

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

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

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

Liquidity risk

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

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

	Less than 1 month \$m	1-3 months \$m	3-12 months \$m	1-5 years \$m	5+ years \$m	Fair value \$m
30 June 2021						
Financial liabilities:						
Vested benefits	130,126	-	-	-	-	130,126
Trade and other payables (excluding cash collateral)	168	-	-	-	-	168
Payables for investments purchased	113	-	-	-	-	113
Total undiscounted financial liabilities (excluding derivatives)	130,407	-	-	-	-	130,407
Net settled derivatives:						
Fixed interest futures	(21)	3	-	-	-	(18)
Forward foreign exchange contracts	(161)	(260)	(325)	-	-	(746)
Swaps and warrants	-	-	-	-	-	-
Total undiscounted derivatives inflow / (outflow)	(182)	(257)	(325)	-	-	(764)
Net cash collateral (payable) / receivable	620	-	-	-	-	620
Net derivatives (including net cash collateral)	438	(257)	(325)	-	-	(144)
	Less than 1 month \$m	1-3 months \$m	3-12 months \$m	1-5 years \$m	5+ years \$m	Fair value \$m
30 June 2020						
Financial liabilities:						
Vested benefits	114,590	-	-	-	-	114,590
Trade and other payables	157	-	3	-	-	160
Payables for investments purchased	177	-	-	-	-	177
Total undiscounted financial liabilities (excluding derivatives)	114,924	-	3	-	-	114,927
Net settled derivatives:						
Fixed interest futures	3	11	(1)	-	-	13
Forward foreign exchange contracts	230	638	368	-	-	1,236
Swaps and warrants	-	-	-	32	-	32
Total undiscounted derivatives inflow / (outflow)	233	649	367	32	-	1,281
Net cash collateral (payable) / receivable	(1,016)	-	-	-	-	(1,016)
Net derivatives (including net cash collateral)	(783)	649	367	32	-	265

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

QSuper categorises liquidity depending on how readily these assets can be converted to cash to meet QSuper’s financial obligations. To meet short term requirements, QSuper maintains sufficient cash and short-term deposits. The majority of QSuper’s assets are traded in listed markets which, under normal circumstances, can be liquidated over short periods of time. QSuper’s assets include an allocation to unlisted investments that have less-liquid profiles and are expected to take more time to be sold.

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

Note 10 Member liabilities and funding arrangements

Defined Benefit arrangements

Standard members’ contributions are made to QSuper at a rate ranging from 2% to 11.5% (2020: 2% to 11.5%) of members’ salaries. Employing authorities are required to remit Defined Benefit employer contributions (excluding salary sacrifice contributions) to Queensland Treasury. These contributions are accumulated in a reserve, managed by QIC on behalf of the Queensland Government (Employer Fund), which is maintained to finance the State’s future liability for the employer component of all defined benefits. The Queensland Treasurer, on advice from the Queensland State Actuary, determines the rate of employer contributions.

Funding from the Employer Fund to QSuper may be in the form of last-minute funding received at the time the benefit is paid (as described in the *Superannuation (State Public Sector) Act 1990* and in various sections of the *Superannuation (State Public Sector) Deed 1990*). Alternatively, the *Superannuation (State Public Sector) Act 1990* allows the transfer of amounts from the Employer Fund to QSuper in circumstances and at times other than funding the immediate payment of benefits. Transfers occurred monthly and amounted to \$1,706m for 2021 (2020: \$1,723m).

The QSuper Defined Benefit account has been underwritten through the arrangements outlined above to provide the members of the closed Voluntary Preservation Plan (VPP), a capital guarantee that the earning rate for a full financial year will not be negative. In return for this capital guarantee, VPP members are levied a premium on 30 June each year. The accumulated premiums levied to 30 June 2021 (net of reimbursements) were \$10m (2020: \$10m). The QSuper Defined Benefit account was closed to new members on 12 November 2008.

Securities lending

In accordance with Board approved securities lending policies, QSuper entered into a securities lending arrangement with State Street Bank and Trust Company on 2 July 2013, under which legal title to some of QSuper’s assets (principally Australian and international equities) may be transferred to another entity. On 27 April 2020, this agreement was terminated and legal title of any outstanding securities lent under this arrangement was transferred back to QSuper.

As the agreement was terminated last financial year, there has been no gross earnings on collateral held in respect of the securities lending program during this financial year (2020: \$2.5m). In prior years, these amounts were received and paid on behalf of QSuper and have been recognised in the income statement.

There were also no fees paid to lending agents (2020: \$0.5m).

Employer-sponsor receivable

As defined benefits become payable, the full cost is met by QSuper, with the Employer Fund contributing the employers’ share of these benefits. Under AASB 1056, the difference between the value of the accrued benefits at 30 June 2021 and net assets held by QSuper is recognised as an employer-sponsor receivable. A summary of the employer-sponsor receivable is as follows:

	2021 \$m	2020 \$m
Value of Defined Benefit liability (net of contributions tax)	29,050	28,583
Less Defined Benefit assets held by QSuper	(6,546)	(5,568)
Net receivable from Queensland Government	22,504	23,015

Defined Benefit member liabilities

The difference between the net receivable of \$22,504m (2020: \$23,015m) as recorded on the statement of financial position and the gross value of the Defined Benefit liability of \$26,167m (2020: \$26,762m) as reported by the employer sponsor represents the value of accrued contributions tax.

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

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

Defined contribution member liabilities

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

Actuarial review

The last actuarial review of QSuper was conducted as at 30 June 2021 by the State Actuary, Mr W H Cannon BSc(Hons) GradDipAppFin FIAA GAICD. The value of accrued benefits for defined benefit member liabilities excluding accrued contributions tax as at that date was \$29,050m (2020: \$28,583m).

Internal transfers

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

Key estimates

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

Discount rate

The assumed gross discount rate has been determined by reference to the annually convertible yield of a notional duration matched government nominal bond at the relevant date. This represents the expected return of an asset pool that would yield the future net cash flows underpinning the liability, recognising that the defined benefit assets within QSuper represent a minority portion, with the balance met by the risk-free Government guarantee. The State Actuary has recommended the use of this rate. An alternative position would be to utilise an expected portfolio return rate that the scheme actuary assumes will be generated from the overall investment of assets held to fund the liability. This rate is 4.50% (2020: 3.50%) and the application of this rate would reduce the liability and corresponding receivable from the Queensland Government by \$6,256m (2020: \$5,472m).

Price inflation

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

Salary inflation

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

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

The following table shows the sensitivity to the material assumptions as at 30 June 2021:

Assumption	Assumed at reporting date	Change	(Increase) / decrease in DB member benefit liability (\$m)
Gross discount rate	2021: 1.5% (2020: 0.9%)	2021: +1.0% (2020: +1.0%)	2021: (2,286) (2020: (2,327))
Price inflation	2021: 2.1% (2020: 1.0%)	2021: +1.0% (2020: +1.0%)	2021: 192 (2020: 180)
Salary inflation	2021: 3.1% (2020: 2.0%)	2021: +1.0% (2020: +1.0%)	2021: 2,361 (2020: 2,442)

Note 11 Vested benefits

Vested benefits are benefits that are not conditional upon continued membership of QSuper (or any factor other than resignation from the scheme) and include benefits which members were entitled to receive had they terminated their QSuper membership as at the reporting date. This amount has been estimated using actuarial assumptions from the most recent actuarial valuation of QSuper as at 30 June 2021.

	2021 \$m	2020 \$m
Vested benefits (discount rate for underlying member liabilities)	130,126	114,590
Vested benefits (discount rate based on expected return for funding purposes)	128,074	112,711

Trustees' statement

for the year ended 30 June 2021

In the opinion of the Trustees of QSuper Board, being the Trustee of QSuper Fund:

1. The accompanying financial statements of QSuper are properly drawn up so as to present a true and fair view of the financial position of QSuper as at 30 June 2021, the Income Statement for the year ended 30 June 2021, the Statements of Changes in Member Benefits, Changes in Reserves, Cash Flows and notes to the financial statements for the year ended on that date; and
2. The accompanying financial statements have been drawn up in accordance with Accounting Standards in Australia.

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



Don Luke

Chair

Michael Pennisi

Chief Executive Officer

Brisbane
30 September 2021



Independent audit report

QSuper (ABN 60 905 115 063)
Report by the Registrable Superannuation Entity (“RSE”) Auditor to the members

Opinion

We have audited the financial statements of QSuper for the year ended 30 June 2021 comprising the Statement of Financial Position, Income Statement, Statement of Changes in Member Benefits, Statement of Changes in Reserves and Statement of Cash Flows.

In our opinion, the financial statements present fairly, in all material respects, in accordance with Australian Accounting Standards the financial position of QSuper as at 30 June 2021 and the results of its operations, cash flows, changes in reserves and changes in members' benefits for the year ended 2021.

Basis for opinion

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

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

Responsibilities of the trustee for the Financial Statements

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

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

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Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

David Rodgers

David Rodgers
Partner

Chartered Accountants
Brisbane, 30 September 2021

Appendix A: Glossary

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



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Chant West

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