



# 2015 Annual Report

## You're with a top-rated fund



Chant West Pension Fund of the Year for the third year in a row and Conexus Pension Fund of the Year 2015.

QSuper was named Pension Fund of the Year at the 2015 Chant West Super Fund Awards.



### Important information

This report and all QSuper products are issued by the Board of Trustees of the State Public Sector Superannuation Scheme (ABN 32 125 059 006) (QSuper Board) as trustee for the State Public Sector Superannuation Scheme (ABN 60 905 115 063) (QSuper Fund or the Fund). The QSuper Board isn't licensed to provide financial product advice, but we know you may like advice, in which case you can call us on 1300 360 750 and we'll put you in touch with a licensed advice provider.

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

### Chant West

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### Conexus

The Conexus Financial Superannuation Awards are determined using proprietary methodologies. Awards were issued 20 May 2015, and are solely statements of opinion and do not represent recommendations to purchase, hold or sell any securities, or make any other investment decisions. Ratings are subject to change.

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## About QSuper

We're proud to be one of Australia's oldest superannuation funds, with more than half a million people trusting us to look after their superannuation over their working life and into retirement. And with more than 540,000 members and about \$59 billion in funds under management, we're also one of the largest.

What also makes us stand out is our commitment to put our members first in everything we do.

From innovative products and services, to our range of seminars and retirement planning tools, we're always looking for ways to make sure our members can look forward to the future they want.

The QSuper Group's products and services are made up of large, complex superannuation fund services such as our financial services business QInvest<sup>1</sup> and our mortgage broking service QInvest Loanfinder.<sup>2</sup> Unlike many other funds, QSuper manages much of our end-to-end administration in-house.

## About our annual report

We're pleased to present our annual report for the 12 months ending 30 June 2015. We've prepared our report for Queensland Parliament, our members, and those organisations that take an interest in QSuper.

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

QSuper members may like to read this report in conjunction with their annual statement as at 30 June 2015.

<sup>1</sup> QInvest Limited (ABN 35 063 511 580, AFSL and Australian Credit Licence number 238274) (QInvest) is ultimately owned by the QSuper Board (ABN 32 125 059 006) as trustee for the QSuper Fund (ABN 60 905 115 063), and is a separate legal entity which is responsible for the financial services and credit services it provides. <sup>2</sup> These credit services are provided by QInvest. QSuper does not receive any direct payments or commissions from QInvest as a result of members using the LoanFinder service. Members should make their own assessment regarding the suitability of this service for their individual needs.

# The Chairman's report

●● There's a huge focus on superannuation in the media at the moment. From talk about what role it will play in future tax reform right through to the recent changes to the pension assets test in the 2015 Federal Budget – it's all big news and it's all brought superannuation right to the forefront. While we don't know what will change at the industry level, we will be adaptive, responsive and ready to move forward. ●●



**Karl Morris**

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

## Our future focus

That's why the Board and I have dedicated considerable time to getting our strategy right; to make sure we're striking the right balance between being best positioned for the future, while still being able to continue to meet our members' needs as they evolve. Our strategy reflects the fact that though we've already done a lot to make superannuation more relevant to each of our members and their individual situations, there's still much more we can do. So going forward, we'll be working to further customise and tailor our products, services and communication so we're meeting our members' individual needs.

But that's just half the story. We understand superannuation is just one part of our members' financial story, which is why we want to help them with their overall financial wellbeing. It's about getting our members to look to us for help and guidance at every stage of their life, not just when it comes to the point of retirement. Our new Money Map tool and Online Advice service (which you can read more about on the next page) are important steps on this journey.

## We were named Pension Fund of the Year twice in 2015

While we continue to innovate and improve what we offer to our members, it's great to be recognised within the industry for some of our earlier work around supporting members into and through retirement. In 2015, we won Pension Fund of the Year not just once, but twice – taking out the Chant West Pension Fund of the Year award for the third year in a row and also being recognised at the Conexus Financial Superannuation Awards 2015 again for Pension Fund of the Year.

## Committed to offering members the best possible value

It's awards like these that also recognise our commitment to offering members great value through both low fees and solid returns. Many of our investment options have performed very strongly this year, and as investment performance and fees are very closely linked, these higher net returns have meant

our investment fees have gone up. However I'm very proud of the fact we still have some of the lowest fees in Australia, and in even better news, that the Board has made the decision to reduce the administration fee from 1 July 2015 from 0.22% p.a. to 0.20% p.a.

## A word of thanks

Finally, on behalf of the QSuper Board, I want to take this opportunity to thank our Chief Executive Officer Rosemary Vilgan for the contribution she has made over the 27 years she has been at QSuper. Rosemary will be leaving QSuper in October 2015 after 18 years as CEO. Rosemary has made many significant contributions to the broader industry, and leaves a momentous legacy at QSuper. It would be fair to say that the continued growth and success of the QSuper Group would not have been possible without Rosemary's vision, commitment and leadership.

After an extensive recruitment search, I'd like to take this opportunity to welcome our long serving Chief Strategy Officer, Michael Pennisi as the new CEO of the QSuper Group. Michael brings a wealth of superannuation and QSuper Fund experience to the role, and the Board and I look forward to working closely with him to take the Fund forward and continue to achieve great outcomes for our members.

I also want to thank Bob Scheuber, who completed his service on the QSuper Board at the end of last year after steering the Fund through a period of great change, in particular during his four-and-a-half years as Chairman.

**Karl Morris**

# Our key achievements

## Get smart with your money

Our new Money Map tool allows members to get a clearer view of their whole financial situation by mapping spending, savings and superannuation in the one online dashboard. With the addition of some clever budgeting tools, it's a great tool that meets our members' needs.



## Online advice available at any time

Our members have told us superannuation can be confusing. So we developed Online Advice (accessible through Member Online) to help them choose the right investment strategy, find out how they can boost their superannuation and check if their retirement income will go the distance – all at no additional cost.

## Investment Views blog

### Find out what's driving QSuper's investment decisions

We've developed our new blog 'Investment Views' especially for those members who want to connect with our in-house investment professionals

who manage their superannuation. It's all about giving our members greater insight into how we invest their superannuation, and encouraging them to tell us what they think and ask any burning questions they may have.

## Pension Fund of the Year winner...twice!

In 2015, our Income account was named Pension Fund of the Year at the Chant West Super Fund Awards for the third year in a row. We were also awarded the same honour just two weeks later, this time at the Conexus Financial Superannuation Awards 2015.



## Get hands on with your superannuation

We launched our new direct investment option Self Invest during the year, giving members the ability to get more hands on with their superannuation if they wish to directly invest some of their superannuation in Australian shares, exchange traded funds and term deposits. It's all about meeting our members' needs for greater control over how their superannuation is invested.



## Let's make superannuation simple

During 2015 we did a lot of work to improve the way we talk to our members. As part of an overall brand refresh, we launched our new QSuper website with improved functionality and navigation, and renewed our annual statement to give members a clearer view of where their superannuation is at and where it's headed. We also looked at all our communication pieces, cutting the jargon and simplifying the way we talk to our members.

# 1

## A great place to work

In 2014, we were named 'Employer of Choice' at the Australian HR Awards, recognising us as the best public sector/not-for-profit employer to work for in Australia. This is a fantastic achievement and confirms QSuper is a wonderful place to work with happy staff serving you.

## We're One QSuper

During the year we aligned our administration and systems to officially bring together QSuper and QInvest under the one employment entity – One QSuper Limited. While it's a behind-the-scenes change that makes no difference to the quality products and services our members know and trust, it's an important internal one because it brings all our employment conditions for staff into line.



# Financial summary

This is a snapshot of the QSuper Fund's financial statements. You can find the full audited financial statements and Auditor's Report on page 31 of this report.

	30/06/15 \$m	30/06/14 \$m
<b>Statement of Net Assets at 30 June 2015</b>		
<b>Assets</b>		
<b>Investments</b>		
Cash and short term deposits	11,940	8,093
Equities	17,410	16,746
Listed trusts	1,036	851
Derivative assets	333	390
Margin accounts	366	492
Other interest bearing securities	2,972	3,188
Unlisted unit trusts	23,845	21,572
Investments in service providers	97	85
	<b>57,999</b>	<b>51,417</b>
<b>Other assets</b>		
Cash	53	46
Contributions receivable	85	95
GST receivable	1	5
Sundry receivables and prepayments	1,576	339
	<b>1,715</b>	<b>485</b>
<b>Total assets</b>	<b>59,714</b>	<b>51,902</b>
<b>Liabilities</b>		
Benefits payable	10	10
Administration and investment management fees payable	30	46
Sundry payables	36	73
Derivative liabilities	289	112
Current tax liabilities	181	54
Deferred tax liabilities	432	242
Provision for superannuation contributions surcharge	53	56
<b>Total liabilities</b>	<b>1,031</b>	<b>593</b>
<b>Net assets available to pay benefits</b>	<b>58,683</b>	<b>51,309</b>
<b>Represented by</b>		
Reserves	1,153	955
Accumulated member funds	57,530	50,354
<b>Total liability for accrued benefits</b>	<b>58,683</b>	<b>51,309</b>

	30/06/15 \$m	30/06/14 \$m
<b>Statement of Changes in Net Assets for the year ended 30 June 2015</b>		
<b>Investment revenue</b>		
Dividends	3,666	1,402
Distributions from unit trusts	92	286
Change in net market value of investments	1,713	4,005
Interest revenue	70	60
Other income	23	8
	<b>5,564</b>	<b>5,761</b>
<b>Contribution revenue</b>		
Employer contributions	4,464	4,627
Member contributions	1,167	971
Transfers from other funds	1,103	798
	<b>6,734</b>	<b>6,396</b>
<b>Total revenue</b>	<b>12,298</b>	<b>12,157</b>
<b>Expenses</b>		
Benefits paid	3,633	3,392
Administration fee	174	156
Direct investment expenses	123	125
Insurance premiums	76	36
Financial planning fee	19	16
Other expenses	9	8
<b>Total expenses</b>	<b>4,034</b>	<b>3,733</b>
<b>Change in net assets before income tax</b>	<b>8,264</b>	<b>8,424</b>
<b>Less</b> Income tax expense	890	883
<b>Change in net assets after income tax</b>	<b>7,374</b>	<b>7,541</b>
<b>Net assets available to pay benefits at the beginning of the financial year</b>	<b>51,309</b>	<b>43,768</b>
<b>Net assets available to pay benefits at the end of the financial year</b>	<b>58,683</b>	<b>51,309</b>



# The CEO's report

## Rosemary Vilgan

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

Life is moving faster than ever before. And with that pace has come great change – particularly in the superannuation industry. Looking ahead, it's inevitable that government reform will bring even more change. So facing this, as an industry, we need to do even better to ensure Australians are entering retirement with a feeling of financial security. It's about them having the knowledge that they've worked hard to accumulate an adequate superannuation account balance and then trusting their superannuation fund to manage their money so it can deliver a stable income for life.

### Products and services that look to the future

We're constantly looking at ways we can evolve and enhance our products and services to help our members achieve their retirement goals. We recognise that our members are more engaged in their superannuation than ever before, so we've responded to that with the addition of Self Invest to our suite of investment options. Our new Online Advice service supports our members to make even small changes to superannuation (like choosing the right investment strategy) which can add up to a very different life in retirement.

### Getting better connected

We've also worked hard throughout the year to engage with our members in new and better ways, so that every conversation we have with them is relevant and valuable, and focused on helping them achieve a comfortable retirement. A key part of this is helping our members understand that it's their retirement income figure that they need to concentrate on, not their retirement lump sum. This is an important part of what drove us to renew our 2015 Annual Statement, so most members can clearly track their own personalised retirement income figure.

●● Put simply, Australians need superannuation that just works. Superannuation that goes the distance. ●●

We also launched our new Money Map tool this year to help our members achieve a better overall financial position. It's an industry-first and one that responds to our desire to provide better products and services that continue to meet our members' needs and expectations in these increasingly busy times.

### A personal message

This is my last CEO report, as I've made the decision to move on from QSuper in October 2015. I'm so proud of everything QSuper has accomplished for our members over the last few decades, and that I could be a part of those successes. Knowing that I have been part of a committed group of people who have made such a difference to so many members' lives has been immensely rewarding.

As Karl noted, Michael Pennisi will be taking over the reigns as new CEO of the QSuper Group. I've worked closely with Michael for many years and I'm confident I leave the Fund in very capable hands.

I know that as QSuper looks to the future, the Fund will continue to achieve great things for our members, and help each one of them achieve their best retirement outcomes.

Rosemary Vilgan

# Our products

We understand our members' needs and expectations often change throughout their working life and into retirement.

## Accumulation account

Our Accumulation account is for members who are in the growth phase of their working life and who have, at some point, worked for the Queensland Government. The spouses of our members can also open an Accumulation account.

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

Our newest investment option is Self Invest, which we launched in September 2014. It caters to those members who want the highest level of control and flexibility over how their superannuation is invested by giving them the ability to invest in Australian shares, exchange traded funds and term deposits.

Since 1 July 2009, our members who no longer work for the Queensland Government (and their spouses) have had the option for their employer to make their superannuation contributions into their Accumulation account. As at 30 June 2015, more than 49,000 members were using this option.

	30 June 2014	30 June 2015
<b>Accumulation account</b>		
Accounts (active) <sup>1</sup>	343,973	301,484
Accounts (retained) <sup>1</sup>	376,348	460,903
Income protection benefits paid	4,100	4,224
Rollovers to QSuper Fund	32,647	43,690
Members making voluntary contributions	52,034	80,446
Accumulation accounts opened via spouse deposits	1,650	1,992
<b>Income</b>		
Contribution	\$6,031m	\$7,517m
Investment	\$4,148m	\$4,092m
Miscellaneous	\$2m	\$10m
<b>Total</b>	<b>\$10,181m</b>	<b>\$11,619m</b>
Expenditure	\$5,453m	\$6,930m
Balance of accounts	\$36,022m	\$40,710m

## Income account

Our award winning Income account is an account-based pension product that allows members to use their superannuation funds to provide an income in retirement. The pension is paid until the Income account balance is exhausted.

### Transition to retirement

The transition to retirement option allows eligible members to open an Income account and draw an income while they're still working. We opened the transition to retirement option to members in July 2006, and as at 30 June 2015, we had 6,309 members using this option.

	30 June 2014	30 June 2015
<b>Income account</b>		
Accounts	31,946	37,750
New accounts opened	4,595	10,877
<b>Income</b>		
Contribution	\$2,618m	\$3,382m
Investment	\$976m	\$1,062m
<b>Total</b>	<b>\$3,594m</b>	<b>\$4,444m</b>
Expenditure	\$1,380m	\$1,944m
Balance of accounts	\$10,436m	\$12,936m

<sup>1</sup> Some QSuper members have multiple accounts.



## For example...

A 20-year old who is at the start of their career will have completely different needs from a 70-year old who is in retirement. That's why we continually review our products and services to ensure they continue to best meet the changing needs of all our members throughout their lives.



In the State Budget handed down on 14 July 2015, the Government announced it would suspend for five years the payment of new employer contributions to the Queensland Treasury Corporation (QTC) for the Defined Benefit, State and Police accounts. As the State Actuary has advised these accounts are in a surplus funding position, there is no effect on benefits as these are fully guaranteed.<sup>1</sup>

## Defined Benefit account

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

The Defined Benefit account is closed to new members.

	30 June 2014	30 June 2015
<b>Defined Benefit account</b>		
Accounts (active)	57,786	50,261
Accounts (retained) <sup>2</sup>	38,392	36,494
<b>Benefit payments</b>		
Age retirement	3,517	3,853
Permanent disability	221	186
Resignation	1,646	1,079
Retrenchment	2,427	588
Income protection benefits paid	1,281	1,210
<b>Income</b>		
Contribution	\$2,534m	\$1,463m
Investment	\$635m	\$402m
<b>Total</b>	<b>\$3,169m</b>	<b>\$1,865m</b>
Expenditure	\$2,568m	\$1,679m
Balance of accounts <sup>3</sup>	\$4,851m	\$5,037m

## State and Police accounts

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

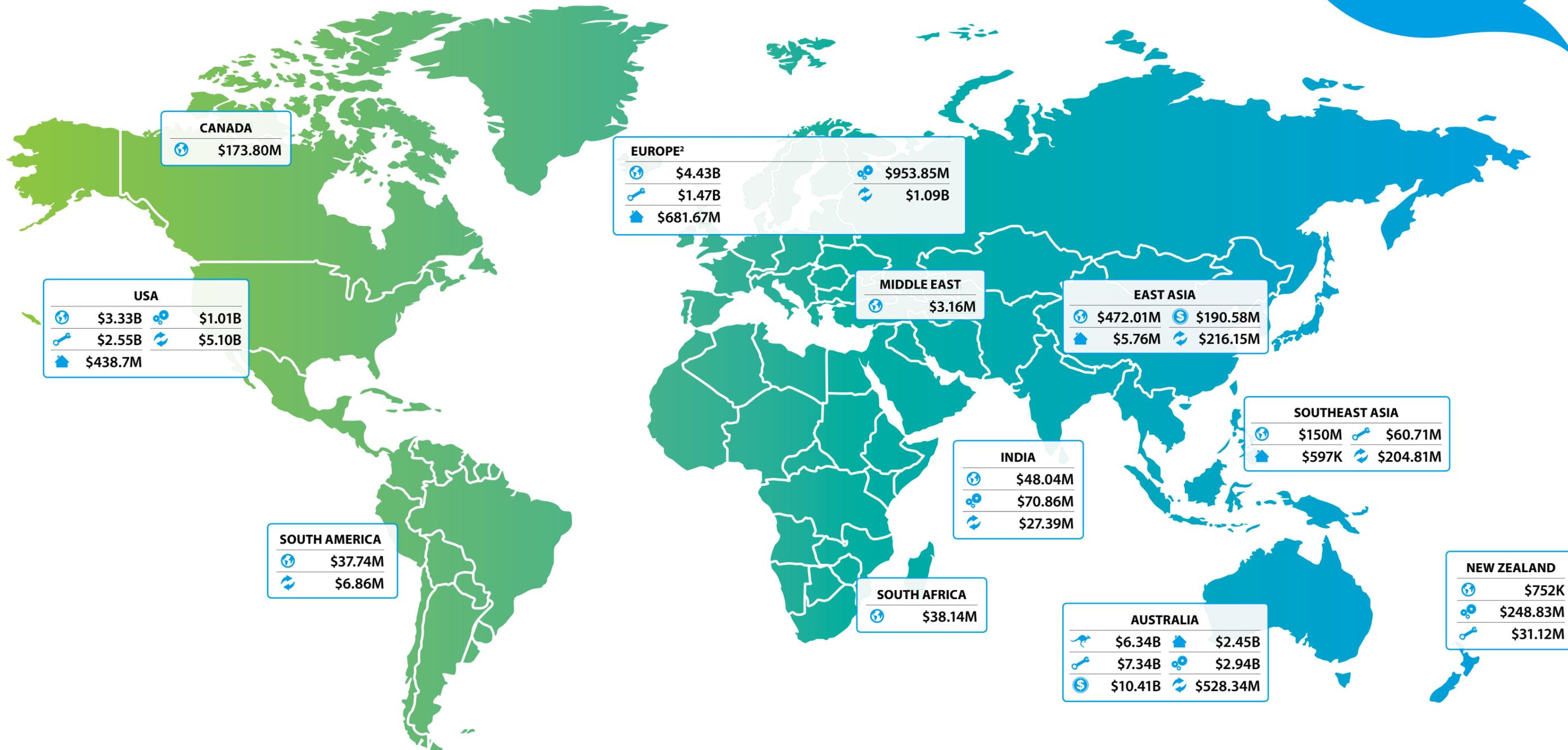
In a State or Police account, employer contributions are also held in a reserve managed by QTC on behalf of the Queensland Government, which when combined with the employee contributions, fund the benefits of State and Police account members as required.

	30 June 2014	30 June 2015
<b>State and Police accounts</b>		
Accounts	916	847
<b>Benefit payments</b>		
Age retirement	91	72
Ill-health retirement	7	5
Death	0	4
Resignation	6	1
Retrenchment/redundancy	2	4
<b>Total</b>	<b>106</b>	<b>86</b>
Income protection benefits paid	21	18
Income	Included in Defined Benefit account	Included in Defined Benefit account
Expenditure	Included in Defined Benefit account	Included in Defined Benefit account
Balance of accounts	Included in Defined Benefit account	Included in Defined Benefit account

<sup>1</sup> S.29 Superannuation (State Public Sector) Act 1990. <sup>2</sup> Also referred to as deferred retirement benefits. <sup>3</sup> This amount is managed by QSuper Limited and comprises member contributions and investment returns on those contributions, which when combined with the employer contributions, fund defined benefit liabilities as required.

# Our investments

-   
Australian Shares
-   
International Shares
-   
Fixed interest
-   
Cash
-   
Real estate
-   
Infrastructure
-   
Alternatives



With more than \$59<sup>1</sup> billion in total assets across 59 countries around the world, our investment portfolio is extremely well diversified.

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

'We invest our members' money right around the world, from Canada to New Zealand and everywhere in between. By diversifying our investments in this way, we are managing risk and ensuring more stable returns for our members.'

**Brad Holzberger,**  
Chief Investment Officer,  
QSuper Limited

The data captured in this map is current at 30 June 2015.

<sup>1</sup> This total asset figure does not equal \$59 billion as not all QSuper Fund assets are included due to an inability to look through to assets/country level for certain investments.  
<sup>2</sup> Countries in the Eurozone.

# Our investment options

QSuper Lifetime Default option for the Accumulation account



## Outlook You're under 40

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

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

### Objective

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

### Risk

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



### Fees

#### Management fees for 2014/2015

Administration fee % <sup>1</sup>	Investment fee %	Investment Performance fee %	Total %
0.22	0.39	0.30	0.91

### Asset allocations

	Actual asset allocations (%) Year ended 30 June 2014	Actual asset allocations (%) Year ended 30 June 2015 <sup>2</sup>	Ranges (%)
Cash	3	4	0–15
Fixed interest <sup>3</sup>	22	21	0–35
Property	9	9	0–25
Australian Shares	17	14	5–30
International Shares	19	19	5–45
Alternative assets	16	20	0–30
Infrastructure	12	13	0–25

### Investment returns<sup>4,5</sup>

	Accumulation account	Income account
<b>Crediting rate (%)</b>		
12 months	13.71	n/a
3 years p.a.	n/a	n/a
5 years p.a.	n/a	n/a
10 years p.a.	n/a	n/a



## Aspire 1 You're 40-49

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

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

### Objective

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

### Risk

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



### Fees

#### Management fees for 2014/2015

Administration fee % <sup>1</sup>	Investment fee %	Investment Performance fee %	Total %
0.22	0.34	0.25	0.81

### Asset allocations

	Actual asset allocations (%) Year ended 30 June 2014	Actual asset allocations (%) Year ended 30 June 2015 <sup>2</sup>	Ranges (%)
Cash	4	4	0–15
Fixed interest <sup>3</sup>	22	21	0–35
Property	9	9	0–25
Australian Shares	17	14	5–30
International Shares	19	19	5–45
Alternative assets	16	20	0–30
Infrastructure	12	13	0–25

### Investment returns<sup>4,5</sup>

	Accumulation account	Income account
<b>Crediting rate (%)</b>		
12 months	13.75	n/a
3 years p.a.	n/a	n/a
5 years p.a.	n/a	n/a
10 years p.a.	n/a	n/a



## Aspire 2 You're 40-49

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

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

### Objective

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

### Risk

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



### Fees

#### Management fees for 2014/2015

Administration fee % <sup>1</sup>	Investment fee %	Investment Performance fee %	Total %
0.22	0.34	0.25	0.81

### Asset allocations

	Actual asset allocations (%) Year ended 30 June 2014	Actual asset allocations (%) Year ended 30 June 2015 <sup>2</sup>	Ranges (%)
Cash	5	5	0–20
Fixed interest <sup>3</sup>	35	35	10–60
Property	8	7	0–25
Australian Shares	14	11	5–30
International Shares	15	15	5–45
Alternative assets	13	16	0–30
Infrastructure	10	11	0–25

### Investment returns<sup>4,5</sup>

	Accumulation account	Income account
<b>Crediting rate (%)</b>		
12 months	11.89	n/a
3 years p.a.	n/a	n/a
5 years p.a.	n/a	n/a
10 years p.a.	n/a	n/a

**1** Administration fees are capped for Accumulation and Income accounts. Please see our website at [qsuper.qld.gov.au](http://qsuper.qld.gov.au) for more information. **2** This figure has been rounded for member reporting purposes. **3** In the Lifetime option and Ready Made options these assets provide diversification, a hedge against inflation and target yield enhancement. This asset class is also referred to as bonds. **4** Past performance is not a reliable indicator of future performance. **5** Return net of administration and investment fees and taxes.

## QSuper Lifetime Default option for the Accumulation account



### Focus 1 You're 50-57

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

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

#### Objective

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

#### Risk

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



#### Fees

##### Management fees for 2014/2015

Administration fee % <sup>1</sup>	Investment fee %	Investment Performance fee %	Total %
0.22	0.31	0.21	0.74

#### Asset allocations

	Actual asset allocations (%) Year ended 30 June 2014	Actual asset allocations (%) Year ended 30 June 2015 <sup>2</sup>	Ranges (%)
Cash	6	5	0–20
Fixed interest <sup>3</sup>	35	35	10–60
Property	7	7	0–25
Australian Shares	14	11	5–30
International Shares	15	15	5–45
Alternative assets	13	16	0–30
Infrastructure	9	11	0–25

#### Investment returns<sup>4,5</sup>

	Accumulation account	Income account
<b>Crediting rate (%)</b>		
12 months	11.68	n/a
3 years p.a.	n/a	n/a
5 years p.a.	n/a	n/a
10 years p.a.	n/a	n/a



### Focus 2 You're 50-57

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

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

#### Objective

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

#### Risk

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



#### Fees

##### Management fees for 2014/2015

Administration fee % <sup>1</sup>	Investment fee %	Investment Performance fee %	Total %
0.22	0.31	0.21	0.74

#### Asset allocations

	Actual asset allocations (%) Year ended 30 June 2014	Actual asset allocations (%) Year ended 30 June 2015 <sup>2</sup>	Ranges (%)
Cash	5	5	0–25
Fixed interest <sup>3</sup>	42	42	20–70
Property	7	6	0–20
Australian Shares	12	10	5–25
International Shares	14	13	5–40
Alternative assets	12	14	0–25
Infrastructure	8	9	0–20

#### Investment returns<sup>4,5</sup>

	Accumulation account	Income account
<b>Crediting rate (%)</b>		
12 months	10.62	n/a
3 years p.a.	n/a	n/a
5 years p.a.	n/a	n/a
10 years p.a.	n/a	n/a



### Focus 3 You're 50-57

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

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

#### Objective

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

#### Risk

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



#### Fees

##### Management fees for 2014/2015

Administration fee % <sup>1</sup>	Investment fee %	Investment Performance fee %	Total %
0.22	0.31	0.21	0.74

#### Asset allocations

	Actual asset allocations (%) Year ended 30 June 2014	Actual asset allocations (%) Year ended 30 June 2015 <sup>2</sup>	Ranges (%)
Cash	5	6	0–30
Fixed interest <sup>3</sup>	49	49	30–75
Property	6	5	0–20
Australian Shares	10	8	0–20
International Shares	12	11	5–35
Alternative assets	10	12	0–25
Infrastructure	7	8	0–20

#### Investment returns<sup>4,5</sup>

	Accumulation account	Income account
<b>Crediting rate (%)</b>		
12 months	9.52	n/a
3 years p.a.	n/a	n/a
5 years p.a.	n/a	n/a
10 years p.a.	n/a	n/a

**1** Administration fees are capped for Accumulation and Income accounts. Please see our website at [qsuper.qld.gov.au](http://qsuper.qld.gov.au) for more information. **2** This figure has been rounded for member reporting purposes. **3** In the Lifetime option and Ready Made options these assets provide diversification, a hedge against inflation and target yield enhancement. This asset class is also referred to as bonds. **4** Past performance is not a reliable indicator of future performance. **5** Return net of administration and investment fees and taxes.

# Our Investment options

QSuper Lifetime Default option for the Accumulation account



## Sustain 1 You're 58 or over

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

Suitable for investors who are close to or in retirement.

### Objective

An annual return of CPI+ 2.5% (after fees and tax), measured over rolling 10-year periods.

### Risk

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



### Fees

#### Management fees for 2014/2015

Administration fee % <sup>1</sup>	Investment fee %	Performance fee %	Total %
0.22	0.21	0.14	0.57

### Asset allocations

	Actual asset allocations (%) Year ended 30 June 2014	Actual asset allocations (%) Year ended 30 June 2015 <sup>2</sup>	Ranges (%)
Cash	51	51	40–75
Fixed interest <sup>3</sup>	11	11	0–35
Property	5	5	0–20
Australian Shares	9	7	0–20
International Shares	10	10	0–30
Alternative assets	8	10	0–25
Infrastructure	6	7	0–20

### Investment returns<sup>4,5</sup>

	Accumulation account	Income account
<b>Crediting rate (%)</b>		
12 months	7.99	n/a
3 years p.a.	n/a	n/a
5 years p.a.	n/a	n/a
10 years p.a.	n/a	n/a



## Sustain 2 You're 58 or over

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

Suitable for investors who are close to or in retirement.

### Objective

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

### Risk

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



### Fees

#### Management fees for 2014/2015

Administration fee % <sup>1</sup>	Investment fee %	Performance fee %	Total %
0.22	0.21	0.14	0.57

### Asset allocations

	Actual asset allocations (%) Year ended 30 June 2014	Actual asset allocations (%) Year ended 30 June 2015 <sup>2</sup>	Ranges (%)
Cash	70	71	50–90
Fixed interest <sup>3</sup>	7	6	0–35
Property	3	3	0–20
Australian Shares	5	4	0–20
International Shares	6	6	0–25
Alternative assets	5	6	0–25
Infrastructure	4	4	0–20

### Investment returns<sup>4,5</sup>

	Accumulation account	Income account
<b>Crediting rate (%)</b>		
12 months	5.58	n/a
3 years p.a.	n/a	n/a
5 years p.a.	n/a	n/a
10 years p.a.	n/a	n/a

Ready Made



## Moderate

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

### Objective

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

### Risk

A negative annual return is expected between one and two times in every 20 years.



### Fees

#### Management fees for 2014/2015

Administration fee % <sup>1</sup>	Investment fee %	Performance fee %	Total %
0.22	0.20	0.11	0.53

### Asset allocations

	Actual asset allocations (%) Year ended 30 June 2014	Actual asset allocations (%) Year ended 30 June 2015 <sup>2</sup>	Ranges (%)
Cash	58	58	40–70
Fixed interest <sup>3</sup>	9	10	2.5–17.5
Property	4	4	0–10
Australian Shares	8	6	2.5–15
International Shares	10	10	2.5–22.5
Alternative assets	7	7	0–12.5
Infrastructure	5	6	0–10

### Investment returns<sup>4,5</sup>

	Accumulation account	Income account
<b>Crediting rate (%)</b>		
12 months	7.18	7.51
3 years p.a.	7.56	8.42
5 years p.a.	6.78	7.68
10 years p.a.	5.63	6.36

**1** Administration fees are capped for Accumulation and Income accounts. Please see our website at [qsuper.qld.gov.au](http://qsuper.qld.gov.au) for more information. **2** This figure has been rounded for member reporting purposes. **3** In the Lifetime option and Ready Made options these assets provide diversification, a hedge against inflation and target yield enhancement. This asset class is also referred to as bonds. **4** Past performance is not a reliable indicator of future performance. **5** Return net of administration and investment fees and taxes.

## Ready Made (continued)

**Balanced****Default option for the Income account**

Suitable for medium to long-term investors who want exposure to assets with potentially higher returns. Investors in the Balanced option should also be prepared to accept fluctuations in the value of their investments over the short term.

**Objective**

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

**Risk**

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

**Fees****Management fees for 2014/2015**

Administration fee % <sup>2</sup>	Investment fee %	Investment Performance fee %	Total %
0.22	0.33	0.21	0.76

**Asset allocations**

	Actual asset allocations (%) Year ended 30 June 2014	Actual asset allocations (%) Year ended 30 June 2015 <sup>3</sup>	Ranges (%)
Cash	13	15	0–25
Fixed interest <sup>4</sup>	20	19	5–35
Property	8	7	0–20
Australian Shares	15	12	5–30
International Shares	20	20	5–45
Alternative assets	14	15	0–25
Infrastructure	10	11	0–20

**Investment returns<sup>5,6</sup>**

	Accumulation account	Income account
<b>Crediting rate (%)</b>		
12 months	12.45	12.67
3 years p.a.	11.81	12.89
5 years p.a.	9.98	11.07
10 years p.a.	7.05	7.96

**Socially Responsible<sup>1</sup>**

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

**Objective**

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

**Risk**

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

**Fees****Management fees for 2014/2015**

Administration fee % <sup>2</sup>	Investment fee %	Investment Performance fee %	Total %
0.22	0.70	0.00	0.92

**Asset allocations**

	Actual asset allocations (%) Year ended 30 June 2014	Actual asset allocations (%) Year ended 30 June 2015 <sup>3</sup>	Ranges (%)
Cash	11	13	0–15
Fixed interest	21	18	5–43
Property	9	9	0–20
Australian Shares	30	28	25–40
International Shares	27	31	15–37
Alternative assets	2	2	0–6
Infrastructure	–	–	0–6

**Investment returns<sup>5,6</sup>**

	Accumulation account	Income account
<b>Crediting rate (%)</b>		
12 months	9.92	11.35
3 years p.a.	13.10	15.11
5 years p.a.	9.02	10.41
10 years p.a.	6.41	7.24

**Aggressive**

Suitable for long-term investors who want exposure to assets with potentially higher returns. Investors in the Aggressive option should also be prepared to accept fluctuations in the value of their investments over the short to medium term.

**Objective**

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

**Risk**

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

**Fees****Management fees for 2014/2015**

Administration fee % <sup>2</sup>	Investment fee %	Investment Performance fee %	Total %
0.22	0.38	0.26	0.86

**Asset allocations**

	Actual asset allocations (%) Year ended 30 June 2014	Actual asset allocations (%) Year ended 30 June 2015 <sup>3</sup>	Ranges (%)
Cash	3	4	0–15
Fixed interest <sup>4</sup>	6	6	0–20
Property	8	7	0–20
Australian Shares	22	21	15–45
International Shares	36	37	25–55
Alternative assets	16	16	0–25
Infrastructure	10	11	0–20

**Investment returns<sup>5,6</sup>**

	Accumulation account	Income account
<b>Crediting rate (%)</b>		
12 months	14.59	14.55
3 years p.a.	15.90	17.44
5 years p.a.	11.98	13.26
10 years p.a.	7.16	8.36

<sup>1</sup> This option is managed externally through AMP Capital Investors Limited. Asset allocation ranges are accurate to 30 June 2015 and are subject to change from time to time. Performance fees for this option are paid by AMP Capital Investors Limited to their multi-managers as part of their investment fee. More information is available in the AMP Responsible Investment Leaders Fund product disclosure statement, which is available from [www.ampcapital.com.au](http://www.ampcapital.com.au) <sup>2</sup> Administration fees are capped for Accumulation and Income accounts. Please see our website at [qsuper.qld.gov.au](http://qsuper.qld.gov.au) for more information. <sup>3</sup> This figure has been rounded for member reporting purposes. <sup>4</sup> In the Lifetime option and Ready Made options these assets provide diversification, a hedge against inflation and target yield enhancement. This asset class is also referred to as bonds. <sup>5</sup> Past performance is not a reliable indicator of future performance. <sup>6</sup> Return net of administration and investment fees and taxes.

# Our investment options

## Your Choice



### Cash

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

#### Objective

To match the return of the Bloomberg AusBond Bill Index<sup>1</sup> after fees and tax.

#### Risk

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



#### Fees

##### Management fees for 2014/2015

Administration fee % <sup>3</sup>	Investment fee %	Performance fee %	Total %
0.22	0.06	0.00	0.28

#### Asset allocations

	Actual asset allocations (%) Year ended 30 June 2014	Actual asset allocations (%) Year ended 30 June 2015 <sup>4</sup>	Ranges (%)
Cash	100	100	100
Fixed interest	-	-	-
Property	-	-	-
Australian Shares	-	-	-
International Shares	-	-	-
Alternative assets	-	-	-
Infrastructure	-	-	-

#### Investment returns<sup>5,6</sup>

	Accumulation account	Income account
<b>Crediting rate (%)</b>		
12 months	2.00	2.34
3 years p.a.	2.20	2.58
5 years p.a.	2.87	3.37
10 years p.a.	3.61	4.22



### Diversified Bonds

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

#### Objective

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

#### Risk

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



#### Fees

##### Management fees for 2014/2015

Administration fee % <sup>3</sup>	Investment fee %	Performance fee %	Total %
0.22	0.17	0.03	0.42

#### Asset allocations

	Actual asset allocations (%) Year ended 30 June 2014	Actual asset allocations (%) Year ended 30 June 2015 <sup>4</sup>	Ranges (%)
Cash	-	-	0-10
Fixed interest	100	100	90-100
Property	-	-	-
Australian Shares	-	-	-
International Shares	-	-	-
Alternative assets	-	-	-
Infrastructure	-	-	-

#### Investment returns<sup>5,6</sup>

	Accumulation account	Income account
<b>Crediting rate (%)</b>		
12 months	3.74	4.17
3 years p.a.	5.33	6.15
5 years p.a.	5.82	6.80
10 years p.a.	6.23	6.65



### International Shares

Suitable for long-term investors who want potentially higher returns over the long term. Investors in the International Shares option should also be prepared to accept fluctuations in the value of their investment over the short to medium term.

#### Objective

To match the return of the MSCI World Developed Markets ex-Australia net dividends reinvested accumulation Index<sup>2</sup>, hedged after fees and tax.

#### Risk

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



#### Fees

##### Management fees for 2014/2015

Administration fee % <sup>3</sup>	Investment fee %	Performance fee %	Total %
0.22	0.09	0.00	0.31

#### Asset allocations

	Actual asset allocations (%) Year ended 30 June 2014	Actual asset allocations (%) Year ended 30 June 2015 <sup>4</sup>	Ranges (%)
Cash	-	1	0-10
Fixed interest	-	-	-
Property	-	-	-
Australian Shares	-	-	-
International Shares	100	99	90-100
Alternative assets	-	-	-
Infrastructure	-	-	-

#### Investment returns<sup>5,6</sup>

	Accumulation account	Income account
<b>Crediting rate (%)</b>		
12 months	14.12	13.68
3 years p.a.	19.37	21.41
5 years p.a.	14.81	16.52
10 years p.a.	6.71	8.11

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

## Your Choice (continued)



### Australian Shares

Suitable for long-term investors who want exposure to assets with potentially higher returns over the long term. Investors in the Australian Shares option should also be prepared to accept fluctuations in the value of their investment over the short to medium term.

#### Objective

To match the return of the S&P/ASX 200 Accumulation Index<sup>1</sup> after fees and tax.

#### Risk

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



#### Fees

##### Management fees for 2014/2015

Administration fee % <sup>2</sup>	Investment fee %	Investment Performance fee %	Total %
0.22	0.08	0.00	0.30

#### Asset allocations

	Actual asset allocations (%) Year ended 30 June 2014	Actual asset allocations (%) Year ended 30 June 2015 <sup>3</sup>	Ranges (%)
Cash	-	-	0 – 10
Fixed interest	-	-	-
Property	-	-	-
Australian Shares	100	100	90 – 100
International Shares	-	-	-
Alternative assets	-	-	-
Infrastructure	-	-	-

#### Investment returns<sup>4,5</sup>

	Accumulation account	Income account
<b>Crediting rate (%)</b>		
12 months	8.38	7.47
3 years p.a.	15.76	17.45
5 years p.a.	9.90	11.04
10 years p.a.	7.54	8.18

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

## Defined Benefit accounts

### About these accounts

Things work a little differently with defined benefit accounts. The amount of savings in the account aren't reliant on investment returns, but are calculated using a formula based on years of service and salary. A defined benefit account balance 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 the Queensland Treasury Corporation on behalf of the Queensland Government and member contributions go into a pool held by QSuper. Money is drawn from the pools to pay the benefits of all Defined Benefit accounts. The amount an employer is required to contribute is based on actuarial advice.

QSuper, 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 member benefits as needed.

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

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

### Investment objective

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

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

### 2014/2015 returns

#### Asset allocations

	Asset allocations (%) at 30 June 2014	Asset allocations (%) at 30 June 2015	Ranges (%) from 30 June 2015
Cash	31.2	34.6	10 – 50
Fixed interest	2.2	2.1	0 – 25
Property	9.1	8.4	5 – 15
Global shares <sup>6</sup>	24.7	20.2	10 – 30
Global private equity	6.4	7.6	0 – 10
Alternative assets	18.9	20.3	5 – 25
Infrastructure	7.6	6.8	5 – 15

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

# The QSuper Board

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

## Appointment of Trustees

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

The Queensland Treasurer appoints trustees in accordance with the QSuper Act, and they serve on the Board for a term of up to three years. After this initial period, they may be nominated for reappointment up to a maximum term of nine years. QSuper Trustees are also Directors of QSuper Limited and QInvest Limited.

## Independent Trustee



**Karl Morris**  
Chairman

### Executive Chairman, Ord Minnett Ltd

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

Mr Morris was CEO and Managing Director of Ord Minnett Ltd from 2004 until his appointment as Executive Chairman in 2009. Mr Morris is also on the Board of the Stockbrokers Association of Australia (of which he is also a Master Member), a Director of RACQ, a Governor of the University of Notre Dame Australia, a Board member of the Catholic Foundation of the Archdiocese of Brisbane and Patron of Bravehearts Inc.

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

## Employer Representative Trustees



**Walter Ivessa**  
Trustee

### Former Assistant Under Treasurer, Queensland Treasury

- Bachelor of Economics
- RG146 Superannuation

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

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



**Bede King**  
Trustee

### Partner, Tobin King Lateef

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

Mr King is currently a partner of Tobin King Lateef Solicitors and Notaries, and was admitted as a solicitor of the Supreme Court of Queensland in 1979. Mr King is a director of Silver Chef Limited, FirstMac Limited and St Aidan's Foundation Limited. Mr King is Vice President of the Australian College of Community Association Lawyers (ACCAL) and an Associate of the Financial Services Institute of Australasia (FINSIA).

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



**Melissa Babbage**  
Trustee

### Financial Services Professional

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

Ms Babbage is a highly experienced financial services professional with a 19-year investment banking career in both international and domestic financial markets. Ms Babbage is a director on the Australian Board of Swiss Re Life & Health Australia, St Vincent's Health Australia Limited, Mercer Investments Australia Limited and Athletics Australia.

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



**Steve Christie**  
Trustee

### Financial Services Professional

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

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

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

Dr Christie was appointed to the QSuper, QSuper Limited and QInvest Limited Boards in December 2014. He is also currently a member of both the Product, Services & Advice and Remuneration Committees.

## Member Representative Trustees



**Mick Barnes**  
Trustee



**Beth Mohle**  
Trustee



**Jeff Backen**  
Trustee



**Ruth McFarlane**  
Trustee

### General Secretary, Queensland Police Union of Employees

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

Mr Barnes is General Secretary of the Queensland Police Union of Employees.

Mr Barnes is an experienced law enforcement officer, having served for more than 25 years with the Queensland Police Service.

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

### Secretary, Queensland Nurses' Union (QNU)

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

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

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

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

### Assistant Secretary, Queensland Teachers' Union (QTU)

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

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

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

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

### Senior Vice-President, Together Queensland

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

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

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

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

# Board responsibilities

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

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

### Farewell to Mr Bob Scheuber

Mr Bob Scheuber also served on the QSuper Board during the 2014/2015 financial year, concluding his seven-year tenure in November 2014. Mr Scheuber was Chairman of the Board for four-and-a-half of these seven years. This was Mr Scheuber’s second tenure as a Trustee on the QSuper Board, having served for just over five years between 1996 and 2001. The Board and management would like to sincerely thank Mr Scheuber for his dedication to the Fund, his professionalism as a Trustee and his leadership as Chairman.

### Board remuneration and indemnification

The Queensland Treasurer, in consultation with the QSuper Board, approved the QSuper Board remuneration rates for the 2014/2015 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 isn’t linked to QSuper Fund membership numbers, funds under management or the investment performance of the QSuper Fund. QSuper Board members who are also active public sector employees 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 Fund.

### Board meeting attendance 2014/2015 financial year

Karl Morris	10	10
Walter Ivessa	8	10
Bede King	10	10
Melissa Babbage	8	10
Steve Christie	5	6
Mick Barnes	8	10
Beth Mohle	10	10
Jeff Backen	10	10
Ruth McFarlane	10	10
Bob Scheuber	3	4

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



# QSuper Board committees

The QSuper Board has set up a number of committees to help make sure it meets its corporate governance responsibilities. These committees make recommendations to the QSuper Board, which is ultimately responsible for decision making.

A charter guides each committee, and its structure, responsibilities and the way it works. While committees have specific membership, all Trustees are able to attend committee meetings. The QSuper Board has also appointed a number of specialist committee members to its Investment, Audit & Risk, and Product, Services & Advice committees.

## The QSuper Board used the following committees in 2014/2015:

### Audit & Risk Committee at 30 June 2015

#### Members

**Mr Walter Ivessa (Chairman)**  
**Mr Jeff Backen**  
**Mr Mick Barnes**  
**Mr Stephen Maitland**  
**Ms Leanne Muller**

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

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

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

### Remuneration Committee at 30 June 2015

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

### Investment Committee at 30 June 2015

#### Members

**Ms Melissa Babbage (Chairman)**  
**Ms Lorraine Berends**  
**Mr Walter Ivessa**  
**Mr Ian Macoun**  
**Ms Beth Mohle**  
**Mr Karl Morris**  
**Mr Michael Rice**

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

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

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

### Product, Services & Advice Committee at 30 June 2015

#### Members

**Mr Bede King (Chairman)**  
**Mr Mick Barnes**  
**Ms Ruth McFarlane**  
**Ms Cathy McGuane**  
**Ms Wendy Tancred**  
**Mr Steve Christie**

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

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

Ms Cathy McGuane and Ms Wendy Tancred are external committee members selected for their specialist knowledge of superannuation and marketing matters.

## Specialist committee members at 30 June 2015

**Lorraine Berends***Investment Committee Member***Ian Macoun***Investment Committee Member***Cathy McGuane***Product, Services & Advice  
Committee Member***Stephen Maitland, OAM, RFD***Audit & Risk  
Committee Member***Financial Services  
Professional**

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

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

She served on the Board of the Association of Superannuation Funds of Australia (ASFA) for 12 years and the Board of the Investment Management Consultants Association (IMCA Australia) for 13 years, and has been awarded Life Membership of both associations. Ms Berends was appointed a member of the Investment Committee in March 2010.

**Chairman/Managing  
Director, Pinnacle  
Investment Management**

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

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

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

**Executive Manager,  
Member Services, TUH**

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

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

Ms McGuane is also the author of Financial Fitness for Kids guides, which focus on helping parents teach their children about money.

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

**Principal, Delphin Associates**

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

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

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

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

## Specialist committee members at 30 June 2015 continued

**Leanne Muller**

*Audit & Risk  
Committee Member*

**Michael Rice**

*Investment Committee Member*

**Wendy Tancred**

*Product, Services & Advice  
Committee Member*

### Financial Services Professional

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

Ms Leanne Muller was elected a Director of Guide Dogs Queensland in April 2005, and serves as Honorary Treasurer as well as Chair of the Finance Sub-Committee.

Ms Muller is a Chartered Accountant and until December 2014 was employed as Chief Financial Officer for the Royal Automobile Club of Queensland (RACQ). Prior to joining RACQ in January 2008, she held senior financial management roles at Energex Limited (from 1998 to 2006) and Uniting Care Queensland (2006 and 2007), and she has also worked for PricewaterhouseCoopers (in both Brisbane and Papua New Guinea) and with the Australian Securities Commission.

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

### Chief Executive Officer, Rice Warner

- Fellow, Institute of Actuaries of Australia

Mr Rice has extensive experience in the financial services industry, specialising in providing strategic advice to financial institutions, fund managers, government agencies, industry associations and large superannuation funds. He is the Convenor of the Public Policy Committee of the Actuaries Institute, and is a member of the Advisory Board of ANU's College of Business and Economics.

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

### Financial Services Professional

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

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

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

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

# Our people

At QSuper, we're focused on attracting and retaining the best staff. And we believe encouraging diversity and inclusion in our workforce is key to that. It's not only about increasing visible individual differences within our workforce, but more importantly it's about the strategic advantage that comes from including a wide variety of individual attributes, capabilities, ideas and insights, and experiences in our decision making, problem solving and policy development.

Headed by Chief Executive Officer Rosemary Vilgan, the QSuper Group Executive Committee has seven executives with a broad range of experience across both public and private sectors and various industries. Together they combine the necessary skills, experience and strategic thinking to lead QSuper into the future.

At QSuper, we're focused on attracting and retaining the best staff.

## QSuper organisational chart

current at 1 July 2015

Chief Executive Officer Rosemary Vilgan					
Chief Strategy Officer <b>Michael Pennisi</b>	Acting Chief Officer Advice & QInvest <b>Glen Hipwood</b>	Chief Technology & Operations Officer <b>Matthew Halpin</b>	Chief Investment Officer <b>Brad Holzberger</b>	Chief Financial Officer <b>Kulwant Singh-Pangly</b>	Chief Officer HR & Internal Communications <b>Paul Landy</b>
Strategic Portfolio Office	Member Services	IT Business Partnering	Investment Strategy	Finance	HR Strategy & Internal Communications
Group Strategy	Advice	IT Strategy & Architecture	Capital Markets	Taxation Services	Business Partnering
Group Product	Business Development & Distribution	IT Delivery	Funds Management	Group Risk & Compliance	Organisational Development & Learning
Group Marketing	Change & Advice Experience	IT Operations & Service Integration	Policy & Governance	Investment Operations	HR Services
	Mortgages	Operations Transformation	Investment Liabilities	General Counsel/ Legal	
		Operations			
		Technology & Operations Support			

# Corporate governance

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



## Risk management

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

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

## Internal and external audit

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

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

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

## Compliance

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

## Governance

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

# Managing our members' superannuation

## QSuper's investment arrangements

### QSuper Board's approach to investing

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

### Who invests your money?

The QSuper Board has built up a strong in-house investments capability since 2009. As part of this function, QSuper Limited acts as one of our investment managers. We regularly review our investment managers to make sure they best fit our overall investment principles. Managers change from time to time.

### Manager arrangements

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

### Allocation of investment returns

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

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

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

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

### Single assets valued above 5% of total funds under management

At 30 June 2015, the QSuper Fund had an investment in the QS High Duration Bonds Trust which represented 6.58% of the total assets of the QSuper Fund. The investments within this Trust are diversified, with no single underlying asset valued at more than 5% of the QSuper Fund's total assets.

### Monitoring QSuper's investment option asset and currency allocation ranges

We have prescribed asset allocations and currency ranges for our investment options. We therefore monitor our options daily so we can act quickly if we go outside these ranges.

### Monitoring QSuper's external investment management agreements

QSuper monitors the compliance of external managers against specific Investment Management Agreements. Any breaches are raised with the Investment Manager for speedy resolution and reported in accordance with existing Board policies and QSuper's Incident Reporting Process.

## Our investment policies

### Derivatives policy

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

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

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

### Derivatives charge ratio

In the world of superannuation, most funds have what's called a derivatives charge ratio. It's the percentage of QSuper's assets (other than cash) being used as security for derivative investments made by the Fund.

The derivatives charge ratio didn't exceed 5% of QSuper's assets at any time during the 2014/2015 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 2014/2015 financial year, QSuper didn't have more than 5% 'in-house' assets at any time.

## Our reserves

### General Reserve

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

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

At 30 June 2015, 40% of the General Reserve was invested in the Balanced investment option, and 60% was invested in the Moderate investment option.

General Reserve	\$m
30 June 2015	624
30 June 2014	565
30 June 2013	308
30 June 2012	166
30 June 2011	421

### Insurance Reserve

The Insurance Reserve holds QSuper's Accumulation account insurance premiums and allows the Fund to meet its 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 that the QSuper Board approves, and QSuper management monitors and reviews the reserve monthly.

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

Insurance Reserve	\$m
30 June 2015	366
30 June 2014	247
30 June 2013	209
30 June 2012	193
30 June 2011	171

### Unallocated Contributions Reserve

QSuper has an Unallocated Contributions Reserve to bear the risk of any movement in investment earnings during the contributions allocation process. The Unallocated Contributions Reserve is currently invested in the Balanced investment option.<sup>1</sup>

Unallocated Contributions Reserve	\$m
30 June 2015	13
30 June 2014	9
30 June 2013	5
30 June 2012	19
30 June 2011	19
30 June 2010	8



### Operational Risk Financial Requirement Reserve

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

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

Operational Risk Financial Requirement Reserve	\$m
30 June 2015	150
30 June 2014	134

### VPP (closed) investment option

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

The VPP crediting rate for the 2014/2015 financial year was applied to the VPP (closed) investment option member accounts before the capital guarantee was debited. The VPP crediting rate for the 2014/2015 financial year was 6.83%.

<sup>1</sup> Prior to 16 December 2013, QSuper Balanced was known as the QSuper Balanced (Default) investment option.

# Important information

## More information

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

## QSuper's privacy policy

QSuper's privacy policy is available on our website at [qsuper.qld.gov.au](https://qsuper.qld.gov.au) or call us and we'll send you a copy.

## Enquiries and complaints

We have procedures in place to ensure all enquiries and complaints are dealt with fairly and promptly.

If you have a complaint about QSuper, please call us on **1300 360 750** (or +617 3239 1004 if calling from overseas).

Or, you can write to the Enquiries and Complaints Officer, QSuper, GPO Box 200, Brisbane QLD 4001 and mark your letter 'notice of enquiry or complaint'.

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

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

## Surcharge

The superannuation contributions surcharge was reduced to 0% from 1 July 2005. Any existing surcharge liabilities remain payable to the Australian Taxation Office and will be deducted when you claim your benefit or roll it over to another superannuation fund. We record any surcharge liability you may have on your annual statement.

## Major service providers

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

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

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

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

## Investment Services

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

- QSuper Limited – ABN 50 125 248 286, AFSL 334546
- QIC Limited – ABN 95 942 373 762
- Hancock Natural Resource Group Australasia Pty Limited – ABN 82087766587 and Hancock Natural Resources Group, Inc.
- AEW Europe LLP and AEW Europe SA
- AMP Capital Investors Limited – ACN 001 777 591
- Graham Capital Management, L.P
- GIM Advisory Services LLC
- DFA Australia Limited – ABN 46 065 937 671
- State Street Global Advisors, Australia Limited – ABN 42 003 914 225
- State Street Bank and Trust Company – ABN 70 062 819 630
- Invesco Advisers, Inc.
- Vanguard Investments Australia Limited – ABN 72 072 881 086
- Principal Global Investors (Australia) Limited – ABN 45 102 488 068
- Wellington Management Australia Pty Ltd ABN 19 167 091 090

## Administrative Services

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

## Internal Audit Services

- PricewaterhouseCoopers – ABN 52 780 433 757

## Custodian

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

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

# Fund changes for 2014/2015

During the 2014/2015 financial year we made a number of changes within the Fund.

Members were notified about the changes, and you can find more information about each of these changes at [qsuper.qld.gov.au](http://qsuper.qld.gov.au)



### Responsible investment policy

We made changes to the ESG (environmental, social, governance) investment policy so that we no longer invest in tobacco. This means that as at 30 June 2015 we no longer own any shares in companies involved in manufacturing cigarettes and other tobacco products.



### Self Invest

**We launched our new direct investment option Self Invest for our members who want greater control over how their superannuation is invested.**

We increased premiums for death and total and permanent disability insurance cover available through our Accumulation account, effective 1 January 2015.



We changed our deadline for receiving investment switch applications – from 5.00pm to 3.00pm, effective 1 September 2014. We also changed our investment switch rules so our members can now withdraw a switch application before the cut-off time on the Brisbane working day it's received.



## Changes to asset allocation ranges

The QSuper Board has reviewed the asset allocation ranges for the QSuper Lifetime option and has revised the ranges of six of the eight groups to better reflect the investment risk profile being applied across different member groups. The changes (in bold) are mainly to the cash weightings of the groups listed in the table opposite, which gives QSuper more flexibility to adjust investment strategies as member profiles change over time. The updated ranges are outlined in the table.

The new asset allocation ranges were applied from 1 January 2015. Complete asset allocation ranges for the Lifetime option can be found in the *Investment Choice Guide* available on our website at [qsuper.qld.gov.au/pds](http://qsuper.qld.gov.au/pds) or under the Lifetime tab on the investment options page on our website.

Lifetime group	New ranges (%)
Sustain 2	<b>Cash 50-90</b> Fixed interest 0-35 Property 0-20 <b>Australian Shares 0-20 International Shares 0-25</b> Alternative assets 0-25 Infrastructure 0-20
Sustain 1	<b>Cash 40-75</b> Fixed interest 0-35 Property 0-20 <b>Australian Shares 0-20 International Shares 0-30</b> Alternative assets 0-25 Infrastructure 0-20
Focus 3	<b>Cash 0-30</b> Fixed interest 30-75 Property 0-20 Australian Shares 0-20 International Shares 5-35 Alternative assets 0-25 Infrastructure 0-20
Focus 2	<b>Cash 0-25</b> Fixed interest 20-70 Property 0-20 Australian Shares 5-25 International Shares 5-40 Alternative assets 0-25 Infrastructure 0-20
Focus 1	<b>Cash 0-20</b> Fixed interest 10-60 Property 0-25 Australian Shares 5-30 International Shares 5-45 Alternative assets 0-30 Infrastructure 0-25
Aspire 2	<b>Cash 0-20</b> Fixed interest 10-60 Property 0-25 Australian Shares 5-30 International Shares 5-45 Alternative assets 0-30 Infrastructure 0-25

# Financial Statements

for the year ended  
30 June 2015



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30 June 2013

# Statement of Net Assets

as at 30 June 2015

	Notes	30/06/15 \$m	30/06/14 \$m
<b>Assets</b>			
<b>Investments</b>			
Cash and short term deposits	5	11,940	8,093
Equities	5	17,410	16,746
Listed trusts	5	1,036	851
Derivative assets	5	333	390
Margin accounts	5	366	492
Other interest bearing securities	5	2,972	3,188
Unlisted unit trusts	5	23,845	21,572
Investments in service providers		97	85
		<b>57,999</b>	<b>51,417</b>
<b>Other assets</b>			
Cash		53	46
Contributions receivable		85	95
GST receivable		1	5
Sundry receivables and prepayments		1,576	339
		<b>1,715</b>	<b>485</b>
<b>TOTAL ASSETS</b>		<b>59,714</b>	<b>51,902</b>
<b>Liabilities</b>			
Benefits payable		10	10
Administration and investment management fees payable		30	46
Sundry payables		36	73
Derivative liabilities	5	289	112
Current tax liabilities	13	181	54
Deferred tax liabilities	13	432	242
Provision for superannuation contributions surcharge		53	56
<b>TOTAL LIABILITIES</b>		<b>1,031</b>	<b>593</b>
<b>NET ASSETS AVAILABLE TO PAY BENEFITS</b>		<b>58,683</b>	<b>51,309</b>
<b>Represented by:</b>			
Reserves	8	1,153	955
Accumulated member funds	9	57,530	50,354
<b>TOTAL LIABILITY FOR ACCRUED BENEFITS</b>		<b>58,683</b>	<b>51,309</b>

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

# Statement of Changes in Net Assets

for year ended 30 June 2015

	Notes	30/06/15 \$m	30/06/14 \$m
<b>Investment revenue</b>			
Dividends		3,666	1,402
Distributions from unit trusts		92	286
Change in net market value of investments	10	1,713	4,005
Interest revenue		70	60
Other income		23	8
		<b>5,564</b>	<b>5,761</b>
<b>Contribution revenue</b>			
Employer contributions	11	4,464	4,627
Member contributions		1,167	971
Transfers from other funds		1,103	798
		<b>6,734</b>	<b>6,396</b>
<b>Total revenue</b>		<b>12,298</b>	<b>12,157</b>
<b>Expenses</b>			
Benefits paid		3,633	3,392
Administration fee		174	156
Direct investment expenses		123	125
Insurance premiums		76	36
Financial planning fee		19	16
Other expenses		9	8
<b>Total expenses</b>		<b>4,034</b>	<b>3,733</b>
<b>Change in net assets before income tax</b>		<b>8,264</b>	<b>8,424</b>
<b>Less:</b> Income tax expense	13	890	883
<b>Change in net assets after income tax</b>		<b>7,374</b>	<b>7,541</b>
<b>NET ASSETS AVAILABLE TO PAY BENEFITS at the beginning of the financial year</b>		<b>51,309</b>	<b>43,768</b>
<b>NET ASSETS AVAILABLE TO PAY BENEFITS at the end of the financial year</b>		<b>58,683</b>	<b>51,309</b>

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

# Notes to the financial statements

for year ended 30 June 2015

## Note 1 Operation of QSuper

The State Public Sector Superannuation Scheme ('QSuper'/'Fund') has been established by the *Superannuation (State Public Sector) Act 1990* to provide benefits for current and previous Queensland public sector employees and employees of Queensland Government entities, such as departments, statutory bodies and government owned enterprises. The Fund consists of Defined Benefit, Accumulation and Income accounts.

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

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

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

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

During the financial year, the Board of Trustees of the Fund undertook a restructure of the wholly owned entities in order to support the strategic direction of QSuper. Up until the restructure, the Fund was administered by QSuper Limited – ABN 50 125 248 286 – a controlled entity. Following the restructure, the Fund's administration was provided by the Board of Trustees using labour hired from QSuper Limited's wholly owned entity One QSuper Pty Ltd (refer Note 14 (d)).

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

## Note 2 Basis of preparation

### (a) General Statement of Compliance

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

The financial statements have been prepared on the basis required by AAS 25, which provides specific measurement requirements for assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The financial statements were authorised for issue by the Board of Trustees on 24 September 2015.

### Accounting policies

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

The Fund has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2014 with no material impact:

- Amendments to AASB 127 Separate Financial Statements: allows separate financial statements to be prepared where the Fund measures all of its controlled entities at fair value through profit and loss.
- AASB 9 Financial instruments: Addresses the classification and measurement of financial assets.

### (b) Basis of measurement

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

# Notes to the financial statements

for year ended 30 June 2015

## Note 2 Basis of preparation (continued)

### (c) New accounting standards and interpretations

Australian Accounting Standards and Interpretations that have recently been issued or drafted but are not yet effective have not been adopted by QSuper for the annual reporting period ended 30 June 2015. These are outlined in the table below.

AASB Amendment / Standard	Title	Nature of change to accounting policy	Application date of standard	Application date for QSuper
AASB 1056	Superannuation Entities	<p>This standard will replace AAS25 and include a number of significant changes affecting the preparation of QSuper's financial statements including the following:</p> <ul style="list-style-type: none"> <li>• Preparation of additional financial statements including a statement of changes in member benefits, statement of changes in equity and statement of cash flows.</li> <li>• Broadly applying presentation principles and requirements of applicable Australian Accounting Standards as opposed to the requirements of AAS 25 that overrode certain requirements.</li> <li>• Accounting for self insurance contracts as if they were life insurance contracts; QSuper is currently not obliged to report self insurance contracts separately.</li> <li>• Calculating defined benefit liabilities based on accrued rather than vested benefits.</li> <li>• Actuarial assessment of liabilities will be conducted on an annual rather than triennial basis.</li> <li>• Net assets of the Fund to reflect the Fund's reserves.</li> <li>• The Statement of Net Assets to disclose the surplus or deficit of funds.</li> <li>• Recognition of member benefits as a liability on the face of the Statement of Net Assets.</li> </ul>	1 July 2016	1 July 2016

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

# Notes to the financial statements

for year ended 30 June 2015

## Note 3 Significant accounting policies

### (a) Cash

Cash represents cash at bank.

### (b) Receivables

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

### (c) Goods and services tax (GST)

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

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

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

### (d) Taxation

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

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

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

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

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

Significant judgement is required in determining the provision for income taxes. There are transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. QSuper may be subject to regular review by taxation authorities in the various countries in which it invests. QSuper actively monitors and assesses the impacts of those reviews, including making appropriate tax provisions for potential tax exposures. Where the final outcome of a tax authority review is different from the amounts that were initially recorded, such differences may impact the current and deferred tax provisions in the period in which such determination is made.

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

### (e) Investments and derivative liabilities

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

#### *Portfolio investments*

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

- Securities that are listed or traded on an exchange are recognised at fair value based on quoted 'bid' prices for asset positions.
- Interests in pooled investment vehicles are recorded at the redemption price as quoted by the investment manager.

# Notes to the financial statements

for year ended 30 June 2015

## Note 3 Significant accounting policies (continued)

- Interests in unlisted trusts, unlisted partnerships, property, infrastructure, and collective investment schemes are recorded at the most recent valuation obtained from the managers adjusted for subsequent calls and redemptions and significant changes in underlying values. In the absence of quoted values, securities are valued using the redemption prices as reasonably determined by the funds' managers and this is considered appropriate for valuation.
- Derivative financial instruments including forward exchange contracts and fixed interest rate futures are recorded at market rates at close of business on the balance date.

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

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

### *Investments in service providers*

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

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

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

### **(f) Fair value measurement**

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

The source of fair value price for financial instruments includes market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by independent sources that are not actively involved in the relevant market. Where quoted marked prices are not readily available, various valuation techniques, including but not limited to, discounted cash flows, broker quotes or other industry acceptable valuation methodologies are used to determine fair value.

Where a financial asset or financial liability measured at fair value has a bid price and an ask price, AASB 13 requires fair value to be based on a price in the bid-ask spread that is most representative of fair value. As a practical expedient, AASB 13 allows the use of bid prices for asset positions and ask prices for liability positions, mid-market pricing or other pricing conventions that are used by market participants. Financial assets' fair values have been determined using bid price and financial liabilities' fair value has been determined using ask price.

### **(g) Foreign currency**

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

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

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

# Notes to the financial statements

for year ended 30 June 2015

## Note 3 Significant accounting policies (continued)

### (h) Benefits paid and payable

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

### (i) Other payables

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

### (j) Liability for accrued benefits

#### Defined Benefit account

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

#### Accumulation account

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

### (k) Reserves

#### General reserve

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

#### Operational risk financial requirement reserve

QSuper maintains an operational risk financial requirement reserve (ORFR) for costs pertaining to the member component of operational risk events. The ORFR ensures QSuper has adequate financial resources to address losses arising from operational risks within its business operations, where such costs are not met by third parties, or are recoverable from third parties or insurance only at a later stage.

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

#### Unallocated contributions reserve

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

#### Insurance reserve

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

The QSuper Board also reviews the adequacy of the reserve on an annual basis and that the stated policies are being followed, practised and remain relevant to the Fund. The Queensland State Actuary provides the valuation on the Insurance Reserve, with the last review as at 30 June 2014. The valuation reviews the adequacy of the reserve to meet projected future insurance liabilities. The liabilities include amounts for claims incurred but not yet paid and operational costs. Additionally, a QSuper Board sub-committee quarterly, and management on a more regular basis, monitors the reserve level against projected levels.

# Notes to the financial statements

for year ended 30 June 2015

## Note 3 Significant accounting policies (continued)

### (l) Revenue

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

#### Investment revenue:

##### *Dividend revenue*

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

##### *Distributions from unit trusts*

Distributions from unit trusts are recognised as investment income on the date when it is deemed that QSuper is presently entitled to the trust income.

##### *Changes in net market value of investments*

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

##### *Interest revenue*

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

#### Contributions revenue:

##### *Employer contributions*

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

##### *Member contributions*

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

##### *Transfers from other funds*

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

#### Other income:

##### *Insurance recoveries*

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

##### *Sundry revenue*

Sundry revenue is accounted for on an accrual basis.

# Notes to the financial statements

for year ended 30 June 2015

## Note 4 Significant accounting judgements, estimates and assumptions

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

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

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in Note 15 Financial instruments – sensitivity analysis.

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

- Note 3 (d) – taxation
- Note 3 (e) & Note 5 (b) – valuation of unlisted investments and level 3 investments
- Note 13 – income tax
- Note 6 – liability for accrued benefits.

## Note 5 Investments and derivative liabilities

QSuper has a custodian agreement with State Street Australia Limited ('SSAL') until 1 November 2017.

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

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

# Notes to the financial statements

for year ended 30 June 2015

## Note 5 Investments and derivative liabilities (continued)

	30/06/15 \$m	30/06/14 \$m
<b>Investment assets</b>		
<b>Cash and short term deposits</b>		
Cash and short term deposits	11,940	8,093
	<b>11,940</b>	<b>8,093</b>
<b>Equities</b>		
Listed equity securities	17,321	16,663
Unlisted equity securities	89	83
	<b>17,410</b>	<b>16,746</b>
<b>Listed trusts</b>		
Listed property unit trusts	803	676
Listed unit trusts	233	175
	<b>1,036</b>	<b>851</b>
<b>Derivative assets</b>		
Futures	40	9
Warrants and options	21	11
Swaps	164	49
Forward foreign exchange contracts	108	321
	<b>333</b>	<b>390</b>
<b>Margin accounts<sup>1</sup></b>		
Margin accounts	366	492
	<b>366</b>	<b>492</b>
<b>Other interest bearing securities</b>		
Fixed interest bonds	1,081	221
Discount securities	1,891	2,967
	<b>2,972</b>	<b>3,188</b>
<b>Unlisted unit trusts</b>		
Unlisted unit trusts – infrastructure	4,667	3,927
Unlisted unit trusts – equity and futures	2,741	3,014
Unlisted unit trusts – private equity and alternatives	3,330	2,530
Unlisted unit trusts – property	4,478	3,987
Unlisted unit trusts – cash and fixed interest	8,619	8,114
	<b>23,845</b>	<b>21,572</b>
<b>Derivative liabilities</b>		
Swaps	9	15
Futures	14	7
Forward foreign exchange contracts	266	90
	<b>289</b>	<b>112</b>

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

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

# Notes to the financial statements

for year ended 30 June 2015

## Note 5 Investments and derivative liabilities (continued)

### (a) Fair value hierarchy classification

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

# Notes to the financial statements

for year ended 30 June 2015

## Note 5 Investments and derivative liabilities (continued)

The table below sets out financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at 30 June 2015.

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

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

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

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

# Notes to the financial statements

for year ended 30 June 2015

## Note 5 Investments and derivative liabilities (continued)

### (b) Level 3 – Financial instruments transactions

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

	Opening balance \$m	Total realised/ unrealised gains (losses) \$m	Purchases/ applications \$m	Sales/ redemptions \$m	Transfers into Level 3 \$m	Transfers out of Level 3 \$m	Closing balance \$m
Listed equity securities	2	(1)	1	(1)	-	-	1
Unlisted equity securities	-	-	1	-	88	-	89
Fixed interest bonds	14	-	-	(14)	-	-	-
Unlisted unit trusts – infrastructure	3,927	472	845	(567)	-	-	4,677
Unlisted unit trusts – equity & futures	513	53	94	(71)	-	-	589
Unlisted unit trusts – private equity and alternatives	2,530	511	342	(53)	-	-	3,330
Unlisted unit trusts – property	3,987	46	601	(156)	-	-	4,478
<b>Total \$m</b>	<b>10,973</b>	<b>1,081</b>	<b>1,884</b>	<b>(862)</b>	<b>88</b>	<b>-</b>	<b>13,164</b>

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

Type	Fair Value \$m	Valuation approach	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Unlisted unit trusts	13,074	Investment Manager – Estimated valuation	Valuation of underlying investments of the unit trusts	An increase in the value of investments of the unit trusts will result in higher fair values. Reductions would result in lower fair values.
Unlisted equity	89	Last trading price less impairment	Last trading price less impairment	An increase in the impairment of the unlisted equities will result in lower fair values. Reductions would result in higher fair values.

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

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

	Unlisted equity securities \$m	Listed unit trusts \$m	Fixed interest bonds \$m	Unlisted unit trusts \$m	Unlisted partnerships \$m	Total \$m
Total gains/(losses) recognised in the Statement of changes in net assets for the year	(1)	-	-	(74)	-	(75)
Total unrealised gains/(losses) recognised in the Statement of changes in net assets for assets held at the end of the reporting year	-	-	-	1,156	-	1,156
<b>Total</b>	<b>(1)</b>	<b>-</b>	<b>-</b>	<b>1,082</b>	<b>-</b>	<b>1,081</b>

# Notes to the financial statements

for year ended 30 June 2015

## Note 5 Investments and derivative liabilities (continued)

### (c) Transfers between hierarchy levels

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

An internal review of the pricing sources applied in line with QSuper's unit pricing policy resulted in the transfer of investments of some unlisted unit trusts into Level 3 during the year. All transfers are assumed to occur at the end of the reporting period.

## Note 6 Liability for accrued benefits

Accrued benefits are those that a scheme must provide in the future for membership completed before the reporting date.

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

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

## Note 7 Vested benefits

Vested benefits are benefits that are not conditional upon continued membership of QSuper (or any factor other than resignation from the scheme) and include benefits which members were entitled to receive had they terminated their QSuper membership as at the reporting date. This amount has been estimated using actuarial assumptions from the most recent actuarial valuation of QSuper as at 30 June 2013. The State Actuary provides an annual estimate of vested benefits, which is reflected below.

	30/06/15 \$m	30/06/14 \$m
<b>Vested benefits</b>	79,702	72,724

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

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

# Notes to the financial statements

for year ended 30 June 2015

## Note 8 Reserves

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

	Balance at 01/07/2014 \$m	Transfers (to)/from accumulated funds \$m	Balance at 30/06/2015 \$m
General reserve	565	59	624
Unallocated contributions reserve	9	4	13
Insurance reserve	247	119	366
Operational risk financial requirement reserve	134	16	150
<b>Reserves<sup>1</sup></b>	<b>955</b>	<b>198</b>	<b>1,153</b>

<sup>1</sup> Refer to Note 3 for the accounting policies and purpose of the reserves.

## Note 9 Accumulated member funds

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

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

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

# Notes to the financial statements

for year ended 30 June 2015

## Note 10 Change in net market value of investments

	30/06/15 \$m	30/06/14 \$m
<b>(i) Investments unrealised at balance date</b>		
Cash and short term deposits	17	82
Listed equity securities	1,148	1,497
Unlisted equity securities	3	(2)
Listed property trusts	2	1
Futures	23	2
Warrants and options	(12)	(10)
Swaps	122	41
Forward foreign exchange contracts	(388)	835
Fixed interest bonds	(58)	3
Discount securities	(16)	16
Unlisted unit trusts	316	1,315
Unlisted partnerships	-	3
<b>Total</b>	<b>1,157</b>	<b>3,783</b>
<b>(ii) Investments realised during the year</b>		
Cash and short term deposits	282	430
Listed equity securities	323	361
Unlisted equity securities	6	9
Listed property trusts	15	3
Futures	324	(34)
Warrants and options	(23)	(122)
Forward foreign exchange contracts	(502)	(642)
Fixed interest bonds	1	1
Discount securities	57	7
Unlisted unit trusts	73	209
<b>Total</b>	<b>556</b>	<b>222</b>
<b>Total changes in net market value</b>	<b>1,713</b>	<b>4,005</b>

# Notes to the financial statements

for year ended 30 June 2015

## Note 11 Employer contributions

	30/06/15 \$m	30/06/14 \$m
<i>Accumulation account</i>		
Employer contributions	2,490	2,251
	<b>2,490</b>	<b>2,251</b>
<i>Defined Benefit account</i>		
Employer contributions – salary sacrifice	178	202
Employer contributions – Queensland Treasury Corporation <sup>1</sup>	1,796	2,174
	1,974	2,376
<b>Employer contributions</b>	<b>4,464</b>	<b>4,627</b>

<sup>1</sup> Employer contributions received from a reserve managed by the Queensland Treasury Corporation on behalf of the Queensland Government.

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

## Note 12 Funding arrangements

### Defined Benefit arrangement

Standard members' contributions are made to QSuper at a rate ranging from 2% to 11.5% (2014: 2% to 11.5%) of members' salaries.

Employing authorities are required to remit Defined Benefit employer contributions (excluding salary sacrifice contributions) to Queensland Treasury. These contributions are accumulated in a reserve, managed by the Queensland Treasury Corporation on behalf of the Queensland Government (Employer Fund), which is maintained to finance the State's future liability for the employer component of all defined benefits. The Queensland Treasurer, on advice from the State Actuary, determines the rate of employer contributions.

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

Funding from the Employer Fund may be in the form of last minute funding received at the time the benefit is paid (as described in the *Superannuation (State Public Sector) Act 1990* and in various sections of the *Superannuation (State Public Sector) Deed 1990*). Alternatively, the *Superannuation (State Public Sector) Act 1990* allows the transfer of amounts from the Employer Fund to QSuper in circumstances and at times other than funding the immediate payment of benefits. Transfers occurred monthly and amounted to \$1,796 million for 2015 (2014: \$2,174 million). These transfers are considered to approximate last minute funding.

### Accumulation arrangement

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

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

# Notes to the financial statements

for year ended 30 June 2015

## Note 13 Income tax

Major components of income tax expense are:

	30/06/15 \$m	30/06/14 \$m
<i>Current income tax</i>		
Current income tax expense	673	562
Adjustments in respect of current income tax of previous years	27	24
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences in deferred tax asset	130	87
Relating to origination and reversal of temporary differences in deferred tax liability	60	210
<b>Income tax expense reported in Statement of changes in net assets</b>	<b>890</b>	<b>883</b>

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

	30/06/15 \$m	30/06/14 \$m
Increase in net assets before income tax	8,264	8,424
Prima facie income tax expense at the tax rate of 15%	1,240	1,264

### Tax effect of non-deductible expenses and non-assessable income in calculating the taxable amount:

Benefits paid	545	509
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### Increase/(decrease) in income tax expense due to:

Differences between tax and accounting net investment income	(197)	(414)
Non-assessable member contributions and transfers in	(334)	(261)
Imputation and foreign tax credits	(187)	(168)
Group life proceeds, notional insurance and anti-detriment	(57)	(50)
Allocated exempt pension income	(101)	(34)
Other	(19)	14
	890	860
Under provision for taxation – prior year	-	23
<b>Total</b>	<b>890</b>	<b>883</b>

# Notes to the financial statements

for year ended 30 June 2015

## Note 13 Income tax (continued)

### (b) Deferred income tax

Deferred income tax relates to the following:

	30/06/15 \$m	30/06/14 \$m
<i>Movements in deferred tax asset</i>		
Opening balance	208	295
Change to Statement of changes in net assets	(130)	(87)
<b>Closing balance</b>	<b>78</b>	<b>208</b>
<i>Movements in deferred income tax liability</i>		
Opening balance	450	240
Change to Statement of changes in net assets	60	210
<b>Closing Balance</b>	<b>510</b>	<b>450</b>
<i>Deferred tax asset comprises:</i>		
Quarantined capital losses	46	205
Investments	32	3
<b>Total deferred tax asset</b>	<b>78</b>	<b>208</b>
<i>Deferred tax liability comprises:</i>		
Contributions receivable	12	12
Unrealised gains in investments	498	438
<b>Total deferred tax liability</b>	<b>510</b>	<b>450</b>
<b>Net deferred tax liability</b>	<b>432</b>	<b>242</b>

### (c) Current tax liability

	30/06/15 \$m	30/06/14 \$m
<i>Opening balance</i>	54	18
Adjustments in respect of current income tax of previous years	27	24
Tax payments	(573)	(550)
Current year income tax	673	562
<b>Closing balance</b>	<b>181</b>	<b>54</b>

# Notes to the financial statements

for year ended 30 June 2015

## Note 14 Related parties

### (a) Trustees and key management personnel

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

Name	Date commenced (ceased) as Trustee
Mr Karl Douglas Morris (Chairman)	December 2013
Ms Melissa Anne Babbage	June 2013
Mr Jeffrey (Jeff) John Backen	December 2013
Mr Michael (Mick) Ian Barnes	June 2009
Dr Stephen Paul Christie	December 2014
Mr Walter Ivessa	June 2009
Mr Bede Farrell King	February 2013
Ms Ruth Ethel Elizabeth McFarlane	December 2013
Ms Elizabeth (Beth) Mohle	December 2013
Mr Robert Ernest Scheuber AM	December 2007 (November 2014)

QSuper has a 100% ownership interest in QSuper Limited which provides fund administration, procurement and investment services to QSuper, and labour hire services through its subsidiary company One QSuper Pty Ltd. The following persons, employed by QSuper Limited and subsequently by One QSuper Pty Ltd from 26 January 2015, had authority and responsibility for planning, directing and controlling the activities of QSuper, directly or indirectly, during the financial year:

Mrs Rosemary Vilgan	Chief Executive Officer
Mr David Bowen	Chief Information & Technology Officer <sup>1</sup>
Mr Michael Cottier	Chief Financial Officer <sup>1</sup>
Mr Stephen Cullen	Chief Officer Advice & QInvest <sup>1</sup>
Mr Matthew Halpin	Chief Technology and Operations Officer
Mr Brad Holzberger	Chief Investment Officer
Mr Paul Landy	Chief Officer Human Resources & Internal Communications
Mr Michael Pennisi	Chief Strategy Officer
Mr Kulwant Singh-Pangly	Chief Financial Officer <sup>2</sup>

<sup>1</sup> Ceased during the year. <sup>2</sup> Appointed during the year.

Refer to remuneration disclosure tables for the relevant dates.

### (b) Key management personnel compensation

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

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

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

### Remuneration principles

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

- performance
- integrity
- affordability
- sustainability.

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

# Notes to the financial statements

for year ended 30 June 2015

## Note 14 Related parties (continued)

### Remuneration governance

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

The Remuneration Committee receives industry benchmarking and external advice independent from management. This includes annual benchmarking against the Financial Industry Remuneration Group (FIRG) database, according to relevant competitive markets, such as the superannuation industry, and organisations of similar financial and asset size. QSuper aims to target remuneration at the FIRG median salary and up to the 75th percentile for Total Remuneration (TR) for outperformance.

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

### Trustee remuneration

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

The Board is remunerated in accordance with rates approved by the Treasurer, as Minister, in consultation with the Board. This remuneration represents an all-inclusive fee encompassing all QSuper Board related activities (including Committee memberships and QSuper and QInvest Limited Directorship). Board members who are also employees of the Government are not remunerated for their trustee duties.

### Executive remuneration

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

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

### Performance linkages

Both fixed and variable remuneration are market competitive and are explicitly linked to performance. All QSuper executive remuneration outcomes appropriately reflect Group, division and individual performance outcomes and behaviours:

- Fixed remuneration is reviewed on an annual basis taking into account the size, complexity and responsibilities of the role, individual performance, skills and experience (see the Fixed remuneration section below for further details).
- Short-term incentives (STI) are based on annual performance against a balanced scorecard of appropriate performance measures (see the STI section below for further details).
- Long-term incentives (LTI) are based on the longer-term performance measures (see the LTI section below for further details).

### Fixed remuneration

Fixed remuneration is calculated on a total cost basis, including the cost of employee benefits, superannuation, vehicles and car parking, plus any applicable fringe benefits tax. External benchmarking is undertaken to provide employees with fixed remuneration which targets the market median (and up to the 75th percentile for outperformance) within the financial services sector in which the Group operates.

### Variable remuneration

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

### Short-term incentives

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

# Notes to the financial statements

for year ended 30 June 2015

## Note 14 Related parties (continued)

### Investment STI (CIO only)

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

### Corporate STI (All executives excluding the CIO)

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

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

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

### Payment outcomes

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

### Long-term incentives

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

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

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

The Group's results in the 2014 and 2015 financial year reflect the continued progress against the Group's strategic plan.

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

# Notes to the financial statements

for year ended 30 June 2015

## Note 14 Related parties (continued)

### Basis of preparation

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

Remuneration disclosures<sup>1</sup> for Trustees who were in the role, for the whole of, or part of, either 2014 and/or 2015 financial years are detailed in the table below.

Board Remuneration				Short term employee benefits \$			Post-employment benefit \$		Long term benefits \$		Total \$	
Trustee	Remuneration paid/payable to	Date commenced (ceased) as Trustee	Financial year	Cash fixed <sup>3</sup>	Non-monetary fixed	Cash STI payment <sup>4</sup>	Other short term benefits	Pension and super-annuation	Other post-employment benefits	Long Term Incentive (LTI) <sup>4</sup>	Other e.g. long service leave	Total remuneration package
Karl Morris (Chairman)	Individual	10 December 2013	2015	99,885	-	-	-	-	-	-	-	99,885
			2014	48,139	-	-	-	-	-	-	-	-
Melissa Babbage	Individual	19 June 2013	2015	49,942	-	-	-	4,823	-	-	-	54,765
			2014	45,402	-	-	-	4,200	-	-	-	-
Jeffrey Backen	Queensland Teachers Union	1 December 2013	2015	49,565	-	-	-	-	-	-	-	49,565
			2014	26,485	-	-	-	-	-	-	-	-
Michael Barnes	50/50 Individual and Queensland Police Union	1 June 2009	2015	49,193	-	-	-	2,411	-	-	-	51,604
			2014	45,402	-	-	-	2,100	-	-	-	-
Stephen Christie	Individual	1 December 2014	2015	28,813	-	-	-	2,776	-	-	-	31,589
Walter Ivessa	Individual <sup>5</sup>	1 June 2009	2015	24,395	-	-	-	2,357	-	-	-	26,752
			2014	-	-	-	-	-	-	-	-	-
Bede King	Individual	6 February 2013	2015	23,963	-	-	-	30,803	-	-	-	54,766
			2014	28,918	-	-	-	20,683	-	-	-	-
Ruth McFarlane	N/A <sup>2</sup>	1 December 2013	2015	-	-	-	-	-	-	-	-	-
			2014	-	-	-	-	-	-	-	-	-
Elizabeth Mohle	Queensland Nurses Union	1 December 2013	2015	49,943	-	-	-	-	-	-	-	49,943
			2014	26,485	-	-	-	-	-	-	-	-
Robert Scheuber	Individual	1 December 2007 (30 November 2014)	2015	21,130	-	-	-	2,007	-	-	-	23,137
			2014	68,453	-	-	-	6,332	-	-	-	-

No termination payments 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.

<sup>1</sup> Reporting is in line with accounting standards. <sup>2</sup> In accordance with Queensland Government policy, Trustees who are active Queensland Public Sector employees are not entitled to be remunerated for their QSuper Board activities. <sup>3</sup> 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). <sup>4</sup> Trustees do not participate in a Short Term Incentive (STI) scheme or Long Term Incentive (LTI) scheme. <sup>5</sup> Walter Ivessa was remunerated personally following his retirement from Queensland Treasury in late 2014.

# Notes to the financial statements

for year ended 30 June 2015

# Notes to the financial statements

for year ended 30 June 2015

## Note 14 Related parties (continued)

Remuneration disclosures<sup>1</sup> for QSuper Executives who were in role, for the whole of, or part of, 2015 are detailed in the table below. Please note movement in current year annual leave provisions are included in the Cash fixed column.

Executive Remuneration				Short term employee benefits \$		Post-employment benefit \$		Long term benefits \$		Total \$		
Chief Officer	Position	Date commenced or (ceased) in role	Financial year	Cash fixed <sup>2</sup>	Non-monetary fixed	Cash STI <sup>3</sup> payment	Other short term benefits	Pension and superannuation	Other post-employment benefits	Long Term Incentive <sup>4</sup> (LTI)	Other e.g. long service leave	Total remuneration package
Rosemary Vilgan	Chief Executive Officer	2 July 1997	2015	571,465	10,938	328,071	–	110,663	–	81,914	28,084	1,131,135
			2014	545,898	11,543	322,657	–	105,949	–	47,580	21,235	1,054,862
David Bowen	Chief Information and Technology Officer	13 August 2012 (2 September 2014)	2015	41,944	–	–	–	15,388	103,500	–	–	160,832
			2014	285,586	–	–	–	35,955	–	–	6,555	328,096
Michael Cottier	Chief Financial Officer	14 September 2009 (30 September 2014)	2015	118,037	–	–	–	8,940	272,696	–	–	399,673
			2014	441,549	–	169,368	–	25,395	–	22,544	22,957	681,813
Stephen Cullen	Chief Officer Advice and QInvest	2 July 2012 (1 April 2015)	2015	223,881	–	–	–	50,789	241,443	–	–	516,113
			2014	352,594	–	121,878	–	38,548	–	17,740	8,354	539,114
Matthew Halpin	Chief Technology and Operations Officer	12 October 2010	2015	311,656	–	121,699	–	30,452	–	26,808	11,415	502,030
			2014	302,130	–	120,573	–	29,835	–	15,622	12,859	481,019
Brad Holzberger	Chief Investment Officer	11 March 2009	2015	595,124	–	512,955	–	34,780	–	–	20,240	1,163,099
			2014	581,067	–	533,025	–	25,323	–	–	28,174	1,167,589
Paul Landy	Chief Officer Human Resources and Internal Communications	15 December 2010	2015	286,108	10,938	116,051	–	30,315	–	25,315	8,050	476,777
			2014	285,050	6,252	113,570	–	24,891	–	14,720	11,734	456,217
Michael Pennisi	Chief Strategy Officer	2 November 2010	2015	384,656	10,938	164,188	–	75,171	–	36,480	11,252	682,685
			2014	371,254	7,695	159,452	–	71,999	–	21,350	17,158	648,908
Kulwant Singh-Pangly	Chief Financial Officer	17 December 2014	2015	185,152	–	105,101	–	20,847	–	–	10,342	321,442
			2014	–	–	–	–	–	–	–	–	–

<sup>1</sup> Reporting is in line with accounting standards. <sup>2</sup> 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). <sup>3</sup> Accrued during the reporting period (refer to table in STI criteria section for further detail). <sup>4</sup> Accrued during the reporting period (refer to table in LTI criteria section for further detail).

# Notes to the financial statements

for year ended 30 June 2015

# Notes to the financial statements

for year ended 30 June 2015

## Note 14 Related parties (continued)

### Short-term incentive scheme

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

	Grant date	Financial year the incentive relates to	Incentive amount \$	Date the incentive was paid/to be paid	% of potential incentive that was paid	% of potential incentive that was forfeited
Rosemary Vilgan	September 2014	2015	328,071	16 September 2015	80.00%	20.00%
	September 2013	2014	322,657	17 September 2014	81.67%	18.33%
Michael Cottier	September 2014	2015	–	16 September 2015	–	–
	September 2013	2014	169,368	17 September 2014	80.00%	20.00%
Stephen Cullen	September 2014	2015	–	16 September 2015	–	–
	September 2013	2014	121,878	17 September 2014	71.11%	28.89%
Matthew Halpin	September 2014	2015	121,699	16 September 2015	73.33%	26.67%
	September 2013	2014	120,573	17 September 2014	82.22%	17.78%
Brad Holzberger	September 2014	2015	512,955	16 September 2015	84.00%	16.00%
	September 2013	2014	533,025	17 September 2014	90.00%	10.00%
Paul Landy	September 2014	2015	116,051	16 September 2015	82.22%	17.78%
	September 2013	2014	113,570	17 September 2014	82.22%	17.78%
Michael Pennisi	September 2014	2015	164,188	16 September 2015	80.00%	20.00%
	September 2013	2014	159,452	17 September 2014	80.00%	20.00%
Kulwant Singh-Pangly <sup>1</sup>	September 2014	2015	105,101	16 September 2015	77.78% <sup>2</sup>	22.22%
					76.67% <sup>3</sup>	23.33%

<sup>1</sup> STI potential and/or salary change due to internal appointment in FY14/15. STI amount prorated.

<sup>2</sup> STI Maximum – 45% effective 17 December 2014.

<sup>3</sup> STI Maximum – 30% until 16 December 2014.

# Notes to the financial statements

for year ended 30 June 2015

## Note 14 Related parties (continued)

### Long-term incentive scheme

	Financial year the incentive relates to	Amount granted <sup>1</sup> in financial year \$	Date granted	Financial year of potential payment <sup>1</sup>	Amount paid in financial year <sup>1</sup> \$	% of potential incentive that was paid	% of potential incentive that was forfeited
Rosemary Vilgan	2015	102,522	September 2014	2017/2018	–	–	–
	2014	99,536	September 2013	2016/2017	–	–	–
	2013	95,250	September 2012	2015/2016	–	–	–
David Bowen	2014	31,050	September 2013	2016/2017	–	–	100.00%
	2013	30,000	September 2012	2015/2016	–	–	100.00%
Michael Cottier	2014	47,274	September 2013	2016/2017	–	–	100.00%
	2013	45,023	September 2012	2015/2016	–	–	100.00%
Stephen Cullen	2015	38,566	September 2014	2017/2018	–	–	100.00%
	2014	37,625	September 2013	2016/2017	–	–	100.00%
	2013	35,000	September 2012	2015/2016	–	–	100.00%
Matthew Halpin	2015	33,419	September 2014	2017/2018	–	–	–
	2014	32,604	September 2013	2016/2017	–	–	–
	2013	31,350	September 2012	2015/2016	–	–	–
Paul Landy	2015	31,643	September 2014	2017/2018	–	–	–
	2014	30,722	September 2013	2016/2017	–	–	–
	2013	29,540	September 2012	2015/2016	–	–	–
Michael Pennisi	2015	45,235	September 2014	2017/2018	–	–	–
	2014	44,348	September 2013	2016/2017	–	–	–
	2013	43,056	September 2012	2015/2016	–	–	–

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

<sup>1</sup> Payment is held at risk until the end of the three year performance period.

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

### (c) Employer sponsor

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

### (d) Related party transactions

#### Transactions with key management personnel

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

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

#### Transactions between QSuper and service providers

QSuper has a 100% ownership interest in QSuper Limited. During the year QSuper Limited provided fund administration, procurement and investment services to QSuper and was paid an administration fee. The administration fee incorporates all administration costs including superannuation administration, cost of running self-insurance, medical costs, strategic and change initiatives, and investment services.

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

# Notes to the financial statements

for year ended 30 June 2015

## Note 14 Related parties (continued)

During the financial year, fees paid/payable to QSuper Limited aggregated \$156m (2014: \$178m).

QSuper Limited owns 100% of the ordinary shares of QInvest Limited and One QSuper Pty Ltd. QInvest Limited provides financial planning services and is paid a financial planning fee by QSuper. One QSuper Pty Ltd provides a labour hire service and is paid labour hire fees by QSuper.

During the financial year, fees paid/payable to QInvest Limited aggregated \$12m (2014: \$16m), and fees paid/payable to One QSuper Pty Ltd aggregated \$35m.

## Note 15 Financial instruments and risk management

### (a) General

The investments of QSuper are managed on behalf of the Board by appointed managers. Each investment manager is required to invest the assets managed by it in accordance with the terms of a mandate. The Board or its delegate has determined that the appointment of these managers is appropriate for QSuper and is in accordance with QSuper's Investment Strategy (refer Note 5).

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

QSuper has investments in a variety of financial instruments, including derivatives, which expose QSuper to market risk, credit risk and liquidity risk. The main purpose of these financial instruments is to obtain exposure to specific asset classes in accordance with investment strategies.

QSuper also has various other financial instruments such as sundry receivables and payables, which arise directly from its operations; these are current in nature. Risks arising from holding financial instruments are inherent in QSuper's activities.

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

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

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

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

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

Sensitivity analyses have been prepared for different market factors using reasonably possible changes in risk variables. These variables are based on the various indices applicable to the underlying assets of the unit trusts, which have been determined by QSuper's custodian, SSAL. QSuper has reviewed these variables and considers them appropriate for use in the sensitivity analyses, which have been performed on a before tax basis and are individually examined in the risk factors below.

### (b) Market risk

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

# Notes to the financial statements

for year ended 30 June 2015

## Note 15 Financial instruments and risk management (continued)

### Price risk

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

QSuper's exposure to price risk is determined by the net market value of the financial instruments.

Price risk is mitigated by QSuper's diversified portfolio of investments in accordance with the investment strategy approved by the Board. The Board monitors QSuper's performance on an ongoing basis to ensure that the investment strategy is not breached.

### Sensitivity analysis

This analysis is based on historical data over the past five years, expected investment rate movements during the 2015 financial year and is performed in consultation with QSuper's investment team having regard to what is considered reasonably possible at the end of the reporting period.

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

The increase/(decrease) in the market price against the investments of QSuper at 30 June would have increased/(decreased) the amount in net assets available to pay benefits by the amounts shown below. This analysis assumes that all other variables in particular, interest rates and foreign exchange rates remain constant. The analysis is performed on the same basis for 2014 whereby the assets which are applied are the non interest bearing instruments and are not guaranteed.

### Sensitivity of price risk and changes on net assets

	%	Carrying amount \$m	(Decrease) \$m	Increase \$m
<b>30 June 2015</b>				
Listed equity securities	15	17,321	(2,598)	2,598
Preference shares	15	2	(0)	0
Listed trusts	15	1,036	(155)	155
Unlisted assets	15	23,934	(3,590)	3,590
Derivatives – net <sup>1</sup>	15	44	(7)	7
<b>Total</b>		<b>42,337</b>	<b>(6,350)</b>	<b>6,350</b>
<b>30 June 2014</b>				
Listed equity securities	15	16,662	(2,499)	2,499
Preference shares	15	1	(0)	0
Listed trusts	15	851	(128)	128
Unlisted assets	15	21,655	(3,248)	3,248
Derivatives – net <sup>1</sup>	15	278	(42)	42
<b>Total</b>		<b>39,447</b>	<b>(5,917)</b>	<b>5,917</b>

<sup>1</sup> The amount represented for Derivatives – net includes non-interest bearing futures, forward foreign exchange contracts, options, swaps and warrants.

# Notes to the financial statements

for year ended 30 June 2015

## Note 15 Financial instruments and risk management (continued)

### Foreign exchange risk

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

QSuper holds assets denominated in currencies other than the Australian dollar, the Fund's functional currency. QSuper is therefore exposed to foreign exchange risk, as the value of the securities and future cash flows of the securities denominated in other currencies will fluctuate due to changes in exchange rates. The risk is measured using sensitivity analysis.

As part of QSuper's risk management strategy, QSuper uses derivative contracts such as forward foreign exchange contracts to convert some or all of QSuper's currency exposures back into Australian dollars in line with QSuper's Investment Policy Statement (IPS), to reduce foreign exchange risk. In certain instances, foreign currency exposures are obtained for member options which are based on established investment objectives. QSuper's overall exposure to foreign exchange risk is however, less significant, after taking into account forward currency contracts. The currency hedges in place to mitigate foreign exchange risk are independently monitored daily to ensure they are in line with QSuper's IPS.

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

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

### Foreign currency exposure

The foreign currency exposure in the table below includes financial instruments denominated in foreign currencies and the notional amounts of derivatives.

Currency (AUD equivalent)	30/06/15 \$m	30/06/14 \$m
United States of America (USD)	(4,243)	(993)
European Union (EUR)	(536)	(95)
Japan (YEN)	309	348
Great Britain (GBP)	(1,207)	(706)
Canada (CAD)	111	174
Switzerland (CHF)	108	200
Hong Kong (HKD)	214	132
Sweden (SEK)	40	75
Singapore (SGD)	137	74
Other currencies	599	442
<b>Net foreign currency exposure</b>	<b>(4,468)</b>	<b>(349)</b>

# Notes to the financial statements

for year ended 30 June 2015

## Note 15 Financial instruments and risk management (continued)

### Foreign exchange sensitivity analysis

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

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

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

### Sensitivity of foreign exchange and changes in net assets

Effect of <u>increase</u> in AUD relative to foreign currency exchange rates	Movement	30/06/15 \$m	Movement	30/06/14 \$m
United States of America (USD)	10%	386	10%	90
European Union (EUR)	10%	49	10%	9
Japan (YEN)	5%	(15)	5%	(17)
Great Britain (GBP)	5%	57	5%	34
Canada (CAD)	5%	(5)	5%	(8)
Switzerland (CHF)	5%	(5)	5%	(10)
Hong Kong (HKD)	10%	(19)	10%	(12)
Sweden (SEK)	10%	(4)	10%	(7)
Singapore (SGD)	10%	(12)	10%	(7)
Other currencies	5%	(29)	5%	(21)
		<b>403</b>		<b>51</b>

### Sensitivity of foreign exchange and changes in net assets

Effect of <u>decrease</u> in AUD relative to foreign currency exchange rates	Movement	30/06/15 \$m	Movement	30/06/14 \$m
United States of America (USD)	10%	(471)	10%	(110)
European Union (EUR)	10%	(60)	10%	(11)
Japan (YEN)	5%	16	5%	18
Great Britain (GBP)	5%	(64)	5%	(37)
Canada (CAD)	5%	6	5%	9
Switzerland (CHF)	5%	6	5%	11
Hong Kong (HKD)	10%	24	10%	15
Sweden (SEK)	10%	4	10%	8
Singapore (SGD)	10%	15	10%	8
Other currencies	5%	32	5%	23
<b>Total</b>		<b>(492)</b>		<b>(66)</b>

The percentages used in these sensitivity analyses reflect the Custodian's estimates of the maximum likely movements in exchange rates due to foreign exchange risk.

# Notes to the financial statements

for year ended 30 June 2015

## Note 15 Financial instruments and risk management (continued)

### Interest rate risk

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

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

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

30 June 2015	Floating interest rate \$m	1 year or less \$m	1 to 5 years \$m	More than 5 years \$m	Non-interest bearing \$m	Total \$m
Financial assets	14,434	12	-	1,009	42,446	57,881
Financial liabilities	-	-	-	(5)	(283)	(268)
<b>Net</b>	<b>14,434</b>	<b>12</b>	<b>-</b>	<b>1,004</b>	<b>42,163</b>	<b>57,613</b>

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

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

### Interest rate sensitivity analysis

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

	Change in variable <sup>1</sup>		Sensitivity of interest income and changes on net assets	
	30 June 2015	30/06/14	30/06/15 \$m	30/06/14 \$m
Interest rate	+ 50bps	+ 50bps	81	64
Interest rate	- 50bps	- 50bps	(81)	(64)

<sup>1</sup> Basis points – One basis point is equivalent to a 0.01% change.

### (c) Credit risk

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

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

Credit risk arising from derivative instruments is, at any time, limited to those with positive fair values.

# Notes to the financial statements

for year ended 30 June 2015

## Note 15 Financial instruments and risk management (continued)

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

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

### Credit quality per class of debt instruments

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

The tables below also show the credit quality by class of assets as at 30 June 2015 and differentiates between long-term and short-term credit ratings.

### Long-term credit ratings

	AAA to AA-\$m	A+ to A-\$m	BBB+ to B-\$m	CCC+ to C-\$m	Total \$m
Fixed interest securities	768	313	–	–	1,081
<b>Total</b>	<b>768</b>	<b>313</b>	<b>–</b>	<b>–</b>	<b>1,081</b>

### Short-term credit rating

	AAA to AA-\$m	A+ to A-\$m	BBB+ to B-\$m	Total \$m
Discount securities	1,509	40	174	1,723
<b>Total</b>	<b>1,509</b>	<b>40</b>	<b>174</b>	<b>1,723</b>

Investments not included in the above table are net assets which do not have a credit rating assigned under Standard & Poor rating categories. Investments that are non-rated amount to \$54,811m. Examples of non-rated assets include listed equities and unlisted unit trusts. The total value of investments held by QSuper is the sum of the non-rated assets and the investments detailed in the credit rating tables.

### (d) Concentrations of risk

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

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

Counterparty limits are imposed to manage and control associated exposures to individual counterparties. Concentrations of risk at asset class level are managed by a number of different controls, which include exposure limits placed at security type, issuer, industry and geographical levels. Additional controls are in place for derivatives and QSuper's exposure is monitored daily with the unrealised profit and losses aggregated by counterparty.

### (e) Liquidity risk

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

# Notes to the financial statements

for year ended 30 June 2015

## Note 15 Financial instruments and risk management (continued)

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

### Contractual Maturity of Financial Liabilities

30 June 2015	Less than 1 month \$m	1-3 months \$m	3-12 months \$m	12-60 months \$m	60+ months \$m	Net market value \$m
<b>Financial liabilities:</b>						
Benefits payable	10	-	-	-	-	10
Trade and other payables	66	-	-	-	-	66
<b>Total undiscounted financial liabilities (excluding derivatives)</b>	<b>76</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>76</b>
<b>Derivatives:</b>						
<i>Fixed interest futures</i>						
- Gross cash inflow	2	38	-	-	-	40
- Gross cash outflow	-	(14)	-	-	-	(14)
<i>Forward foreign exchange contracts</i>						
- Gross cash inflow	5	58	45	-	-	108
- Gross cash outflow	(57)	(97)	(112)	-	-	(266)
<i>Swaps</i>						
- Gross cash inflow	4	4	-	-	156	164
- Gross cash outflow	(2)	(1)	-	-	(6)	(9)
<b>Other</b>						
- Gross cash inflow	-	3	18	-	-	21
- Gross cash outflow	-	-	-	-	-	-
<b>Total undiscounted derivatives inflow/(outflow)</b>	<b>(48)</b>	<b>(9)</b>	<b>(49)</b>	<b>-</b>	<b>150</b>	<b>44</b>

# Notes to the financial statements

for year ended 30 June 2015

## Note 15 Financial instruments and risk management (continued)

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

# Notes to the financial statements

for year ended 30 June 2015

## Note 15 Financial instruments and risk management (continued)

### (f) Fair value

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

### (g) Securities lending

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

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

During the year ended 30 June 2015, the gross earnings on securities lending collateral were \$4m. These amounts were received and paid on behalf of the Fund and have been recognised in the statement of changes in net assets.

During the year ended 30 June 2015, the Fund paid fees to the State Street Bank and Trust Company in the amount of \$0.8m for acting as lending agent.

### Risks and indemnification

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

State Street Bank and Trust Company, as lending agent, indemnifies the Fund for replacement of any loaned securities (or, in certain circumstances, return of equivalent cash value) due to a Borrower default on a security loan. The value of the Collateral held as at 30 June 2015 is \$536m.

## Note 16 Capital guarantee

The QSuper Defined Benefit account underwrites the provision to the members of the closed Voluntary Preservation Plan (VPP) of 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 2015 (net of reimbursements) are \$8m (2014: \$8m).

## Note 17 Commitments, contingent assets and liabilities

QSuper via QSuper Investment Holdings Pty Ltd (refer note 20) has unfunded commitments with Investment Managers to the value of \$1,276m as at 30 June 2015.

QSuper has a securities lending arrangement with State Street Bank and Trust Company (refer Note 15(g)). The value of the collateral held against loans of \$509m as at 30 June 2015 is \$536m.

QSuper has no other known commitments, contingent assets or liabilities as at 30 June 2015.

## Note 18 Post balance date events

The Board of Trustees of QSuper has approved the establishment of a company which will seek approval from the Australian Prudential Regulation Authority for registration under the *Life Insurance Act*, for the purposes of providing group life insurance cover.

On 14 July 2015 the Queensland Government announced a suspension of employer contributions to the Defined Benefit Scheme for a period up to five years. This has no direct impact on the Fund's financial statements for the current year.

No other matters or circumstances have arisen since 30 June 2015 that have significantly affected or may significantly affect the operations in future financial years or the state of affairs of QSuper in subsequent financial years.

# Notes to the financial statements

for year ended 30 June 2015

## Note 19 Auditors' remuneration

	30/06/15 \$'000	30/06/14 \$'000
<b>Auditor-General of Queensland</b>		
Audit of financial statements	380	413
<b>Audit and review services</b>	<b>380</b>	<b>413</b>

## Note 20 Investments in associated entities

QSuper Limited, QSuper Investment Company Pty Ltd, QSuper Investment Company No. 2 Pty Ltd and QSuper RE (a Luxembourg company) are wholly owned by the Board of Trustees of the State Public Sector Superannuation Scheme as trustee for the State Public Sector Superannuation Scheme (QSuper). These entities are not consolidated but are equity accounted under AASB 2013-4. The carrying amount of the investments in these entities approximates fair value.

QSuper Investment Holdings Pty Ltd, a subsidiary of QSuper Limited, is also the trustee for the following investment trusts as at 30 June 2015 where QSuper is the ultimate beneficiary.

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

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

Investment strategy	30/06/2015 \$m	Exposure %	30/06/2014 \$m	Exposure %	Financial statement caption
Cash and fixed interest	7,506	47.60%	7,212	63.01%	Unlisted unit trusts – cash and fixed interest
Private equity and alternatives	2,584	16.39%	1,837	16.06%	Unlisted unit trusts – private equity and alternatives
Infrastructure	2,495	15.82%	1,401	12.24%	Unlisted unit trusts – infrastructure
Equity and futures	2,484	15.75%	517	4.52%	Unlisted unit trusts – equity and futures
Property	701	4.44%	478	4.17%	Unlisted unit trusts – property
<b>Total</b>	<b>15,770</b>	<b>100%</b>	<b>11,445</b>	<b>100%</b>	

As at 30 June 2015, the total assets exceeded the total liabilities of these trusts.

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

## For the year ended 30 June 2015

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

1. The accompanying financial statements of QSuper are properly drawn up so as to present a true and fair view of the net assets of QSuper as at 30 June 2015 and the changes in net assets for the year ended on that date.
2. The accompanying financial statements have been prepared in accordance with the provisions of the *Superannuation (State Public Sector) Act 1990*, *Supervision Industry (Supervision) Act 1993* and Regulations, Requirements under Section 13 of the *Financial Sector (Collection of Data) Act 2001*, and with Australian Accounting Standards and other mandatory professional reporting requirements in Australia.
3. The accompanying financial statements are in agreement with the accounts and records of QSuper and the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects.
4. QSuper has been conducted in accordance with the *Superannuation (State Public Sector) Deed 1990* and the requirements of the *Superannuation (State Public Sector) Act 1990*.



**Karl Morris**  
Chairman



**Rosemary Vilgan**  
Chief Executive Officer

24 September 2015  
Brisbane



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

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

Report by the RSE Auditor to the trustees and members.

## Financial statements

I have audited the financial statements of the State Public Sector Superannuation Scheme for the year ended 30 June 2015 comprising the Statement of Changes in Net Assets, the Statement of Net Assets, Summary of Significant Accounting Policies, and other explanatory notes.

## Trustees' responsibility for the financial statements

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

## Auditor's responsibility

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the trustees' preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the trustees' internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the trustee(s), as well as evaluating the overall presentation of the financial statements.

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

## Independence

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

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

## Opinion

In my opinion, the financial statements present fairly, in all material respects, in accordance with Australian Accounting Standards the operations of the Board of Trustees of the State Public Sector Superannuation Scheme for the year ended 30 June 2015.

## Other Matters – Electronic Presentation of the Audited Financial Report

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



## K JOHNSON FCA

Assistant Auditor-General  
(as delegate of the Auditor-General of Queensland)  
25 September 2015

Queensland Audit Office  
Brisbane

## Appendix

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

as at 30 June 2013

An actuarial investigation of QSuper was conducted as at 30 June 2013 by State Actuary Mr W H Cannon.

A summary of the investigation is given below, with the full report available at:

[qsuper.qld.gov.au/~media/PDFs/QSuper-public/Publications/Annual-report/actuarialreport2013](http://qsuper.qld.gov.au/~media/PDFs/QSuper-public/Publications/Annual-report/actuarialreport2013)

### Funding arrangements

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

### Financial condition

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

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

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

### Value of assets

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

### Vested benefits

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

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

### Accrued benefits

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

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



## Member Centres

70 Eagle Street Brisbane  
63 George Street Brisbane

Ph 1300 360 750  
(+617 3239 1004 if overseas)  
Fax 1300 241 602  
(+617 3239 1111 if overseas)

Monday to Friday  
8.30am to 5.00pm

QSuper  
GPO Box 200  
Brisbane QLD 4001

[qsuper.qld.gov.au](http://qsuper.qld.gov.au)

