2003 QSuper annual report to members

SUPERSCOOP

What's important to you?

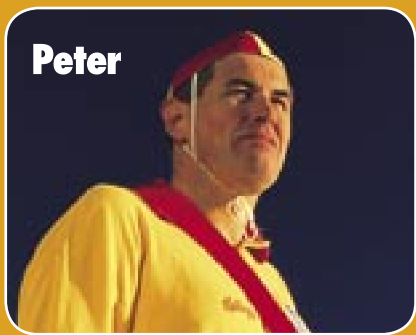
Inside your Super Scoop

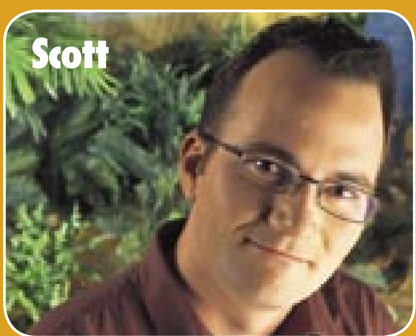
QSuper
Financing your future

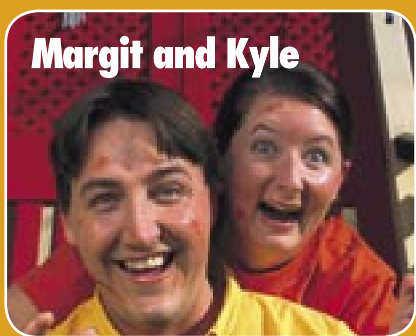
What's important to you?

QSuper has 400,000 members — each with different passions and pursuits that are important in their lives.

In these unsettled times, at least you can rely on your financial future being safe and secure. Being a member of one of Australia's largest superannuation funds, means you can relax in the knowledge QSuper will be there to continue to help finance your future — leaving you to concentrate on ***what's important to you!***







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How much does *Super Scoop* cost?

All super funds are required to provide their members with a benefit statement and a report each year. The QSuper Board of Trustees sees this as a perfect opportunity to also provide a range of useful articles and updates on how you can make the most of your super, to help in *financing your future.*

Last year, QSuper received an industry communication excellence award for the quality of our annual reporting. And, with 400,000 members, producing a magazine like *Super Scoop* is a very efficient way to get this information to our membership.

In fact, this year the cost of printing *Super Scoop* was just 32 cents per copy! And, we are pleased to use Australian made, recycled content paper.

Year in review

BY GERARD BRADLEY

Gerard Bradley is the Under Treasurer and Under Secretary of Queensland. He has been Chairman of the QSuper Board of Trustees since 1998.

What's important to you?

With the gloom of recent events around the world, security and stability have become extremely significant for a large part of the Australian community. With this in mind, this year's *Super Scoop* is asking, *what's important to you?*

Like the members shown throughout this magazine, there are probably a number of factors that, on a day to day basis, are more important to you than your superannuation, especially if retirement seems a lifetime away.

QSuper members can take comfort knowing their financial futures are safe, secure, and in the custody of professionals performing at the highest levels. You can relax in the knowledge your fund will continue to help *finance your future*, leaving you with the peace of mind to concentrate on *what's important to you*.

Investment markets

Unfortunately, returns for the year are again low, and in some cases negative. You can find more information about this years returns on pages 17 to 20.

Recent world events have contributed to a prolonged slump in global investment markets. However, markets move in cycles, and members may remember in 1997 we were reporting returns of almost 20%. Fund managers internationally have had similar experiences. In fact, Australian investors have fared better than most investors around the world.

The investment cycle is part of the nature of investing and not something that can be controlled.

However, some things are within QSuper's control...

Investment. The QSuper Board of Trustees believes, with the advice of QIC, it has taken the best possible strategic investment position to take full advantage of future rebounding markets.

Fees. QSuper's management fee is still among the lowest in Australia and our members pay no entry fees, no exit fees, and no commissions. This means more of your money is left in your account to boost your retirement savings.

Services. QSuper continues to offer members valued services as well as access to seminars and educational material. Shortly, you will be able to track your account over the phone or via our website.

Financial advice. QSuper members have access to high quality advice from Q♦Invest, at no additional cost. This respected service is a great benefit, considering some of the alarming media reports recently about the quality and cost of financial advice (see page 23).

Trustee appointments

QSuper Trustees serve on the Board for a term of 3 years, after which they may accept reappointment. To ensure a smooth transition and maintain continuity, the process is staggered, with half of the Board subject to reappointment every 18 months.

On 1 June 2003, Helen Ringrose, Terri Hamilton, Chris Barrett, Steve Ryan, and Gary Wilkinson were reappointed. They are to be congratulated on their reappointment and for the significant service they and their deputies have given to members of QSuper, employers, and other stakeholders.

Balanced with Reserves closure

In May this year, the Balanced with Reserves investment option was closed. This option used an identical asset allocation to the Balanced option, but with a reserve to smooth the effects of market volatility.

Historically, the product worked as was intended. In 2001/2002, the full investment reserve was used to produce a return 5.78% higher than the identically invested Balanced option. This was a great result for those investors at the time.

However, as reported in last year's *Super Scoop*, the investment reserve was fully depleted due to the prolonged market downturn. The earnings of the Balanced with Reserves product therefore tracked those of the Balanced option. As a consequence, the Board decided it would be in the best interests of members to close the Balanced with Reserves option and transfer these funds to the Balanced option. Our feedback suggests this was a step members understood, and one which was completed smoothly.

Q♦Invest

As a joint owner, QSuper has maintained and enhanced its relationship with Q♦Invest. In recent times, QSuper members have valued the opportunity to talk to a financial planner about their concerns and taken comfort from being informed and in control of their investments.

During the year, Q♦Invest undertook:

- 10,000 interviews;
- 4,200 plan recommendations;
- 200 seminars; and
- 26,500 member phone calls.

The QSuper Board will continue to work with Q♦Invest to develop products and services to meet members' needs.

Acknowledgements

The QSuper Board would like to express its appreciation for the support of its major service providers, those being the Government Superannuation Office, QIC, Q♦Invest, and the State Actuary. The Board also appreciates the valuable assistance provided by the Auditor-General of Queensland (Auditor) and KPMG (Internal Auditor).

I hope you will enjoy reading through this years' annual report to members, *Super Scoop*. Within it you can learn more about your QSuper investment and investing generally, the organisations involved in managing the Fund, what QSuper can offer you, and how you can make the most of your membership. You can also read about what's important to other members, just like you – after all, you're one of 400,000 letting QSuper help in *financing your future*.

Trustee details

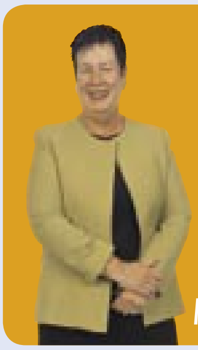
Employer representatives

(nominated by the Queensland Government)

Gerard Bradley
Under Treasurer and
Chairman of the Board
(Deputy — Tim Spencer)
Meeting attendance: 10

Terri Hamilton
Managing Director
Medical and Associate
Professionals Funds
Management
(Deputy — John Carpendale)
Meeting attendance: 12

Linda Apelt
Director-General
Queensland
Department of Housing
(Deputy — Wayne Cannon)
Meeting attendance: 10



Helen Ringrose
Director-General
Queensland Department
of Corrective Services
(Deputy — Cathi Taylor)
Meeting attendance: 10

Tony Hawkins
Chief Executive Officer
WorkCover Queensland
(Deputy — Michael Goode)
Meeting attendance: 12

Member representatives

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

Steve Ryan
Vice-President
Queensland
Teachers' Union
(Deputy — Jeff Backen)
Meeting attendance: 11

Karen Peut
Council Delegate
Queensland Public
Sector Union
(Deputy — Alex Scott)
Meeting attendance: 10

Chris Barrett
Assistant
General Secretary
Queensland
Council of Unions
(Deputy — Grace Grace)
Meeting attendance: 10

Garry Ryan
State President and Southern
District Secretary
The Australian
Workers' Union
(Deputy — Tom Jeffers)
Meeting attendance: 8

Gary Wilkinson
General President
Queensland Police
Union of Employees
(Deputy — Merv Bainbridge)*
Meeting attendance: 11

*pictured

What's important to you?

The start of this century has brought with it uncertainty — global unrest, terrorism and war, health warnings, corporate scandal, and nervous financial markets.

With these threats to our safety and security, now is the time to focus on what's important to you.

There's no doubt the opening years of the 21st century have brought with them a series of events few would have ever thought possible, let alone predictable. Events both at home and abroad have worried not only our financial markets and those around the world, but also each of us as individuals. Behavioural research shows our personal security and safety, and that of those close to us, now motivates us more than ever. This affects our decisions on how we structure our lives—our careers, our health, our recreation, our spending, and of course our finances.

But, are these times really that different? Individual events may be unique, but a glance back through the history books suggests the road we are travelling in the 21st century is not that different to the last.

Consider the early years of the last decade and compare them with the early years of this decade. Surprisingly similar.

Of course, the events of September 11 and the Bali bombings are quite unlike any previous events that have touched our nation. But, terrorism and religious fundamentalism are not new issues for the world to grapple with.

By comparison, in the early 1990's Australia was in the grip of a recession, whereas currently, economic fundamentals are quite strong. Inflation, unemployment, and interest rates are all at record low levels, whereas in the 1990's they were each much higher, with interest rates more than double today's levels.

This type of comparison can be made right through history and, generally, similar events have a tendency to appear. The early 1980's saw concerns over nuclear disarmament, environmental issues, the Iran/Iraq war, deregulation, and floating of the currency. The early 1970's had Vietnam and Watergate and were followed by oil price shocks, soaring inflation, and the dismissal of the Whitlam Government.

The further back you look, the more similar patterns appear, with world wars, depressions, natural disasters, and seemingly incureable illnesses like tuberculosis, polio, and smallpox. These historical events, although quite different, each caused a sense of crisis and fear for the future, and inevitably led to economic and social uncertainty.

At the same time though, other patterns also emerge. For every period of economic instability comes a, generally, longer period of economic recovery.

The years that followed World War II still remain the golden years of investment returns. In the single year of 1954, less than a decade after the war, sharemarkets rose around 50%. The average rate of return for Australian shares during the whole decade of the 1980's was around 18%, even after the flat early years of that decade and the sharemarket crash of 1987.

Are these times really any different?

Early 1990's	Early 2000's
Bond Corp and Pyramid collapse	HIH and One Tel collapse
Gulf war 1	Gulf war 2
Political unrest – Eastern Europe	Political unrest – Middle East and Korea
HIV	SARS

This table demonstrates the similarities between market influences from the early 1990's and the early 2000's.

No matter what the state of our finances, careers, or health, for most people what's important to them remains the same.

In the 1990's the average return was around 11%, despite the first 3 years of that decade being spent in a recession. It seems a bust in the economic cycle merely washes away the flaws built up during a preceding boom, and prepares the ground for a new recovery. Will the remaining years of this decade see a similar recovery?

And, as the economy moves through a cycle, so too do investor's emotions. Just as financial markets travel through booms, slide into recessions, and then recover back into good times, the nature of investing means our emotions can travel through a similar cycle, from bold confidence and optimism, through to caution, concern, and fear, and then back into belief and assurance.

However, one element does remain constant through time, and this is people's basic wants, needs, and interests. No matter what the state of our finances, careers, or health, for most people what's important to them remains the same.

In times of world crisis, it's not surprising we can lose sight of our long-term goals, question what's happening around us, and rethink the way we do things and why. As a result, many of us will refocus on what's really important in our lives, and direct more of our time and attention to those pursuits and interests. This doesn't mean we should forget our investments during these times. However, it is reassuring to know that when you're a member of a fund as strong and secure as QSuper, wondering if your retirement savings will be there when you need them, is one thing you needn't worry about.

QSuper is one of Australia's largest superannuation funds, with $10 billion in funds under management and 400,000 members.

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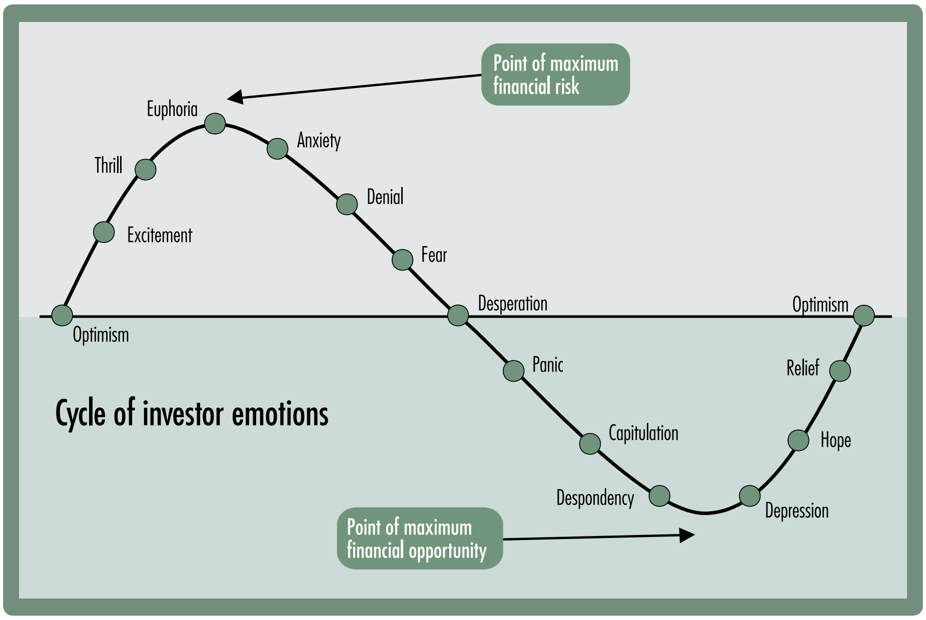
Peter Kingston
2003 Australian Surf Lifesaver of the Year

QSuper member since January 1989

What's ***important*** to Peter?

"Taking a young kid off the street and developing their potential provides me a great deal of satisfaction..."



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The Fund is managed by a Board of ten trustees, five who represent the employer (the Queensland Government) and five who represent members. This ensures your interests are always considered in any decisions or initiatives the Fund undertakes.

The Trustees come from a cross-section of backgrounds and collectively hold a wide range of skills and expertise. They follow a strict code of guidelines and reporting, driven not only through Commonwealth legislation, but also the rules of the Fund itself. And, of course, they work with other professional service providers for the administration of the Fund, the investment of your money, and even the provision of financial advice for members.

So, are we just working our way through another historical cycle or will the 21st century truly be a time like no other? Whatever the outcome, you can rely on QSuper to help in *financing your future,* so you can concentrate on what's important to you.

You can read more about *Who is QSuper* on page 22 of *Super Scoop*, or visit the QSuper website at **www.qsuper.qld.gov.au** to learn more about the Trustees and the rules of the Fund.

QIC YOUR INVESTMENT PARTNER

Top 5 international shareholdings 30 June 2003
General Electric
Pfizer
Microsoft
Exxon Mobil
Citi group

QIC YOUR INVESTMENT PARTNER

Top 5 Australian shareholdings 30 June 2003
National Bank
BHP Billiton
Newscorp
Westpac
Telstra

Derivatives policy

Derivatives are investment products where the value is linked to the value of another investment product, e.g. shares. Derivatives can be bought and sold and may be used to protect an investment portfolio against unfavourable market movements, or to switch funds between different investments cost effectively.

The QSuper Board of Trustees has obtained and accepted a risk management statement from QIC, which defines how QIC can use derivatives. This statement specifically prevents the use of derivatives for speculative purposes.

How is my QSuper taxed when I die?

It's often said only two things in life are certain, death and taxes — but maybe not with your super! Should you die, your QSuper Defined Benefit and Accumulation accounts will usually be converted to a lump sum payment, distributed in line with your Will, or under the rules of Intestacy if you die without a Will. The importance of having a legal up to date Will cannot be stressed enough. If you have an Allocated Pension account, you can nominate a beneficiary who will automatically inherit the allocated pension in the event of your death.

A little known fact is lump sum death benefit payments, up to pension reasonable benefit limits, can generally be paid tax free to your spouse (including a de facto) dependant children under age 18, or other people who are financially dependant on you.

Who invests your money?

Did you know QIC is not the only investment manager working to maximise your retirement savings?

Portions of both the Australian shares portfolio, and all of the international shares portfolio, are managed by other specialist fund managers.

This approach recognises diversification advantages of employing a range of select investment specialists. QIC is responsible for selecting, monitoring, and if necessary, terminating these managers.

International shares
Capital Guardian Trust Company (Global)
Barclays Global Investors (Global)
DSI International (US)
Deutsche Asset Management (US)
AXA Rosenberg Group (Europe)
Fidelity Investments (Europe)
Oechsle International Advisors (Europe)
Wellington Management (Europe)
Martin Currie Investment Management (Japan)
GMO Australia Ltd (Country Allocation)

Australian shares
Alpha Investment Management
Schroder Investment Management Australia
Maple-Brown Abbott
Perennial Value
WestAM Australia
Portfolio Partners

The path to financial freedom

BY TERRI HAMILTON

It's natural to want to maximise your investment — after all, it's your future.

After a long period of volatility and low returns, and after hearing nothing but negative "doom and gloom" sharemarket reports, you may be wondering whether you should stick with super as the foundation for your retirement savings.

When you review your financial plans and look at all the investment options open to you, you also need to consider what you need from your investments and how they will achieve it for you.

Think before you choose

Before choosing any investment, you should determine how long you will have your money invested—whether for a short or longer term. Also consider the level of risk you feel comfortable with, and the returns you can expect from taking that level of risk. Keep in mind higher returns are usually associated with a greater level of risk. But, avoiding risk altogether could ultimately mean a lower return—a risk in itself! The costs attached to your investment also need investigation. Are there any costs to setting up or cashing in your investment? Are there costs to maintain it? You need to weigh up all these concerns and decide what's important to you. Deciding which path to take can be a difficult process.

Which path?

Australian household investors have had a love affair with property for generations—and for many reasons. Rental properties allow the owner to have a personal involvement in, and a feeling of control over, their investment. Property also offers the investor a moderate to high risk overall, as well as growth potential. It's generally less volatile than shares or fixed interest investments, and rent provides an income stream.

There can also be tax advantages through negative gearing. And, often, people feel property is easier to understand than other investments.

Over the last decade, however, Australians have begun to embrace other investment mediums, including shares, managed funds, and superannuation, as being easier to buy, clearer to measure and just as interesting—if not more. So now we have a number of financial love affairs, but is there a need to choose between them?

Financial planners will generally encourage diversity in an investment portfolio. Superannuation funds, like QSuper, offer diversity by spreading your money across different asset classes, such as cash, fixed interest, shares, and property. But, this is difficult to achieve when investing solely in property. Depending on the property and its location, you could end up spending hundreds of thousands of dollars just to enter the market, which for many people could be a large part of their personal investment portfolio.

Property pitfalls

So, what is it that's so appealing about property? According to Bill Danaher, General Manager of Q♦Invest, direct property investments give you control of your investments—you decide what property you buy, how you maintain it, and who you rent it out to. However, Bill also points out that, "often we look at the price a house is bought for and then sold for at a later date, and become so mesmerised by the capital gain, we

Terri Hamilton is the Managing Director of Medical and Associate Professional Funds Management and joined the QSuper Board of Trustees in June 2000.

She is also a member of the Queensland Executive of the Association of Superannuation Funds of Australia. Terri has two children, aged 6 and 8, and enjoys running, gardening, and family activities.

forget about the costs involved in getting there". So, what costs are involved?

You may not realise it, but property has a very substantial, and often complex, cost structure behind those capital gains.

As you can see below, the costs involved include purchase, ongoing, and selling related costs—and often these are higher for investment properties. What's more, they all eat away at your final return.

continued next page...

Property investment costs

Purchasing costs	Ongoing costs	Selling costs
• building and pest inspections; • surveys; • loan establishment and search fees; • mortgage insurance; • stamp duty on the transfer of title, mortgage, and searches; and • solicitor and accountant fees.	• property management, preparation of leases, tenancy agreements, and rent collection; • vacancies; • improvements; • rates; • body corporate; • insurances; • maintenance; and • interest on borrowings.	• agent's commission; • advertising; • loan repayment fees; and • solicitor and accountant fees.

Scott Hocknell
Palaeontologist
2002 Young Australian of the Year
Centenary of Federation Medal Recipient

QSuper member since July 1996

What's ***important*** to Scott?

"It's important to spark kids' interest in natural history. Palaeontology is not just a job, it's a lifestyle... and it's a great one!"

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While many investors may be concerned by the volatility of share-linked investments, property can also provide its share of concerns. Your property may remain vacant for extended periods of time - removing your regular rental income, and you and your tenants may not always see eye to eye.

There can also be unexpected maintenance problems, which could require immediate cash injections. And, like any investment, property values can fall. So, if you need access to your funds while property markets are slow, there is a chance you could be forced to accept less than you expect, or need, if you can't find a buyer quickly. And, if you do make a profit on the sale of your property, part of your gain may be taxable.

DIY super funds

DIY funds are gaining popularity, with their numbers growing by over 25% in the last 3 years.

With DIY, or self managed super funds, you have more control over your investment strategy, you can benefit from tax advantages, and avoid management fees.

However, as the name suggests, you need to manage the fund yourself.

Most people will need to pay for professional services or advice to meet regulatory reporting and audit requirements, ensure tax effectiveness of transactions and withdrawals, and help in lodging returns and dealing with the ATO.

You'll need to manage a range of investments with differing liquidity levels, and then there are bank and brokerage fees, as well as sales commissions to contend with.

Is super so super?

Superannuation also has features to be aware of. It is often said the rules and regulations of super change too often. However, generally, these changes have more real impact on fund administrators than members, and rarely, if ever, do they affect money you have already invested. Super is preserved until your retirement, but if you're trying to build a nest egg, this can actually be a valuable safeguard.

Another common criticism of super is the way it's taxed. It's true, your money is taxed three times—when invested, on earnings, and when you take it. This is really no different to property with stamp duty on a purchase, tax on rental income, and finally capital gains tax. However, super is actually taxed at concessional rates, which makes the tax treatment of super one of its strongest features.

Perhaps the biggest trap however, is being stung by fees. Fees can be charged when your money is on the way in, if you withdraw or move it, when you leave the fund, and every day along the way. Often, sales commissions are involved too.

Before investing, you should ask about all fees and convert them to a dollar amount—that way you'll know just how much you'll be paying. It's worth remembering QSuper's fees are among the lowest in Australia and there are no entry fees, no exit fees, and no commissions.

Managed funds

Managed funds, like Q♦Invest's Investment Access Funds (see page 28), give you the opportunity to pool your money together with other investors, to diversify into different types of asset classes, which may not otherwise be available to you. They can also have reduced transaction costs, which may be tax effective. Like any investment though, you should check out and compare management fees and any other costs involved.

Direct shares

With direct shares, you can personalise your portfolio through active participation and have control of underlying investments.

Shares are also more readily bought and sold than property, higher levels of tax effectiveness can be achieved than with managed funds, and when compared, direct shares have lower management fees.

But, by investing directly in shares, a greater level of risk is taken, a substantial amount of capital is generally needed in order to achieve a sufficient degree of diversification, and vast amounts of your personal time, not to forget commitment, are also required.

The final word

It can all seem too hard, particularly when there is so much at stake. This is a common concern our members put to Q♦Invest. "If you are comparing different forms of investment, you should remember to consider the fundamental issues of diversity, risk, costs, management of your investment, and tax on your income and returns", stresses Bill Danaher. "And, as with any purchase, you need to decide whether you want to buy when the price is high or low. Picking the right time is not always easy to do."

Remember, what may be right for some, may not be right for you. So, before making any investment decision, consider all your options, weigh up the pros and cons to ensure your needs and objectives will be met, and seek financial planning advice.

QSuper may be calling you

Ensuring your Fund provides a range of products and services that meet your needs is the primary concern of the QSuper Board of Trustees. And, with 400,000 members it's quite a challenge to know what those needs are. That's why the Trustees often undertake member research.

This is the only effective way to ask you what you need, what you like, what you understand, and what we can do better. Often this research is contracted to professional market research firms, to ensure the results are as meaningful and accurate as possible.

Formal agreements ensure these parties comply with strict standards imposed by QSuper and national privacy guidelines. If you are ever contacted by a research firm acting on behalf of QSuper, your participation is entirely voluntary and confidential.

The personal data we supply to researchers is generally limited to your name and contact details, and the results we receive never list names of respondants. If you are ever in any doubt about a call from a researcher, feel free to contact us to verify the call.

In fact, we'll be undertaking research in November 2003, so get ready for our call and let us know your thoughts.

My generation

So what is it that's important to your generation?

QSuper has 400,000 members, aged from 15 to over 100, trusting us to help finance their future. When you talk to people with such a diverse range of ages, you soon learn that different generations view things very differently.

Today, understanding and managing generations has become important for businesses in recruiting and rewarding staff, and in marketing products and services. In our personal dealings with people, it's also important to understand why we often view things differently to those older, or younger, than us.

It is generally considered there are four distinct generational groups, where members often have similar characteristics and values, developed as a reflection of what was going on around them in their early years. So, what's your generation?

Builders (born pre—1942)

As the name suggests, this group built many of our houses, roads and buildings, communities, businesses, and processes. Growing up amidst world wars and a depression shaped the values of this generation and for many, childhood memories are of scarcity and thrift. Work was often manual and physically demanding, but approached with a sense of duty. They valued hard work and loyalty, which was repaid with security. Builders tend to choose formality over informality, prefer face to face communication, and value traditional forms of recognition such as plaques, certificates, and photos.

Baby Boomers (1943—1962)

The post-war years saw a boom in the birth rate and also in economic development and industrialisation, bringing new products like plastic, television, labour saving appliances, and cars into every home.

The suburban sprawl saw young families move away from parents with great expectations for their futures. Lives had an air of stability and safety, with stay at home mothers and long-term employers.

For this generation, education and hard work could get you most things in life, and people felt content in their jobs and workplace.

Recognition that is widely noticed is highly valued by this group, who like to follow clearly laid out steps with stated objectives and desired goals.

Generation X (1963—1981)

Gen X'ers grew up through political disenchantment, workplace instability, and the consequences of corporate downsizing. Parents began divorcing, and with this came family upheaval and a loss of stability of previous generations. Gen X'ers developed self reliance and independence from parents—often now both working or raising a family on their own. Global influences were becoming more prominent as technology began to make the world seem smaller.

There were images of the random dangers of AIDS and unprovoked violence. This group began to question the notion of reward for effort and set fewer expectations.

However, entrepreneurial skills were developed along with more interest in achieving a greater work/life balance. These people like options and to be told what needs to be done, but not how to do it. Gen X'ers like having multiple tasks and setting their own priorities, and respond to being asked their opinion.

Generation Y/Nexters/Millenials (1982—2000)

This group has been the central focus of their family, treated as adults and consulted on family issues. They've been taught skills rather than discovering them, e.g. swimming, tennis, and music lessons, often from pre-school years.

Parents have removed boundaries and obstacles for this group, meaning they have little to "break away" from, and leading some to create their own obstacles. Increasing technology means they are rapid adaptors to change and they have more options in products, entertainment, and leisure, plus more money than any generation before them.

They are self confident and optimistic, quick decision makers who like to perform multiple tasks at once, though not in depth—for instance watching three or four television shows at once.

They want to be entertained, are quick to change relationships and interests, and very concerned with product brands, self image, and how they are perceived. Employers need to know this group's personal goals and show them how tasks they've been assigned can help meet them. Nexters want a coach, not a boss, and value recognition that provides greater involvement and material reward.

Can we all get along?

If you're a Gen X'er, you probably get frustrated with Baby Boomers' methodical ways and conservatism.

And if you're a Baby Boomer, you probably get annoyed at Gen X'ers' lack of organisation and order. Builders might be horrified at leaving their world in the hands of self-absorbed Nexters, while those Nexters can't understand why their grandparents don't just throw out their old broken possessions and update them with today's cheaper, better technology.

However, with a bulge of Baby Boomers starting to leave their senior roles in the workforce, and Builders now expected to live to older ages than their forebearers, our generations are mixing more than ever before.

Age based generalising can be harmful if taken too literally, but being able to appreciate motivators and values of different groups can help us understand others, and position our communication with them, to suit. Remember, treating others how you'd like to be treated won't always work.

Jess Seitz
Musician

QSuper member since February 2001

What's ***important*** to Jess?

"... my music and my Mum!"

Do you have a superannuation surcharge debt?

The superannuation surcharge is a debt levied by the Australian Taxation Office against superannuation accounts of high income earners. Generally, debts are required to be paid when the member first withdraws funds from their account. For more information, grab a copy of the *Superannuation surcharge guide* from our website, or by calling 1300 360 750.

Keeping in touch

We want to keep in touch with you! If you change address, it is important you let your employer know, as they provide us details of your current address. If you are no longer employed by the Queensland Government, please let us know your new details. A change of address notification has been included in your annual reporting package, for you to complete if your address needs updating.

Are you prepared for retirement?

QSuper has produced a guide to help you prepare for retirement. The QSuper *Retirement preparation guide* is a self-help tool enabling you to calculate:

- what your life expectancy is;
- how much Centrelink Age Pension you are entitled to;
- how much income you will need in retirement; and
- how much capital you will need.

To obtain a copy of this guide, call 1300 360 750, select '1' for our automated fax/post service and then request document 819 (this document is available by post back only).

Enquiries or complaints

The Board of Trustees has procedures in place to ensure requests for information, and any complaints you may have, are dealt with fairly and promptly.

Enquiries should be directed to QSuper. If you have a complaint about your membership, write to the Enquiry and Complaints Officer and mark your letter " Notice of enquiry or complaint".

If you are not satisfied with the outcome of your complaint, you can take the matter to the Superannuation Complaints Tribunal (SCT).

This is an independent body set up by the Commonwealth Government to assist members only after they have made use of the QSuper internal procedure.

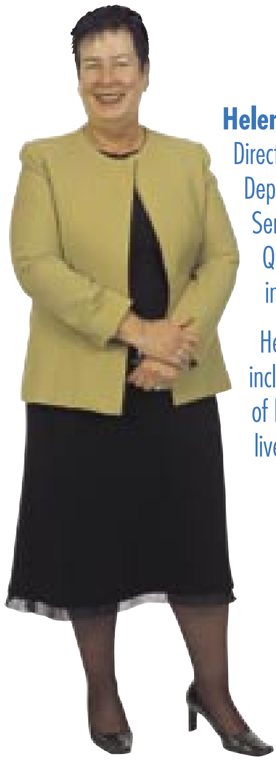
The SCT will try to resolve your complaint by conciliation, but if this is not successful they will make a decision that is binding.

You can contact the Superannuation Complaints Tribunal on 1300 884 114, or visit their website at www.sct.gov.au .

BPAY® for spouses

Did you know you can make spouse contributions into QSuper using Bpay? Check the QSuper website at www.qsuper.qld.gov.au for more details!

® Registered to BPAY Pty Ltd ACN 079 137 518



Helen Ringrose is the Director-General of the Department of Corrective Services and joined the QSuper Board of Trustees in June 2000.

Her diverse interests include energetic support of both the visual arts and live theatre in Brisbane.

The year that was

BY HELEN RINGROSE

Investing your money

The 2002/2003 year has been a difficult one in the investment arena, with Australian superannuation funds (including QSuper) producing subdued investment returns.

The year saw several global events that, combined with a continued lack of investor confidence, resulted in disappointing short-term outcomes for sharemarkets. With a large proportion of QSuper funds invested in sharemarkets, QSuper investment choices (except Cash) have produced returns below objectives.

The extent to which each option suffered is in proportion to that option's exposure to Australian and international sharemarkets. As Trustees, it is important we closely monitor the Fund's investment strategies and work with our investment managers to plot a course through the investment waters, particularly in challenging times like these.

The summaries in the box below show how the various asset classes affected our results during the year.

Although the year just gone was a disappointing one in terms of returns, when looking at the performance of your investments, it is important to keep in mind the long-term nature of superannuation.

QIC believe QSuper's exposure to growth assets has, and will continue to, provide QSuper members with good longer-term returns, albeit with times of short-term volatility.

Indeed, the performance of sharemarkets in April, May, and June of this year made up for many of the losses in the preceding 9 months.

So, you can be comfortable your funds are being well managed, which leaves you more time to focus on what's important to you.

Growth assets. Australian and international shares and property

The international sharemarket was the worst performing asset class for the year, returning -4.47%[1], due mainly to a lack of investor confidence and persistent uncertainty within financial markets. A relatively strong economic environment in Australia meant the Australian market outperformed most international markets and returned -1.71%.[2]

For the third year in a row, property had the best performance of all the growth asset classes, returning 9.35%.[3] Continued low interest rates and high rental occupancy have contributed to this performance.

Defensive assets. Fixed interest investments (e.g. bonds) and cash

As sharemarkets suffered continued volatility, a large proportion of investors sought the safe haven of bonds, forcing the price of bonds higher. The Australian fixed interest market returned 9.78%[4], while international fixed interest returned 11.75%.[5]

The cash return is heavily influenced by the 'official' cash rate set by the Reserve Bank of Australia. Cash returned 4.97%[6] for the year, in line with expectations.

1. MSCI Net Dividend Accumulation World Index (ex Australia) hedged AUD
2. S&P/ASX200 Accumulation Index
3. Financial Standard Direct Property Index
4. UBSWA Composite Bond Index
5. Salomon Smith Barney World Government Bond 10 Index (ex Australia) hedged AUD
6. UBSWA Bank Bill Index

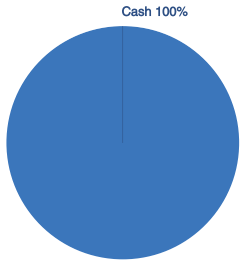
Aussie dollar goes up, returns on international shares go down!

The negative return on international shares was made worse by the rise in the Australian dollar, which rose from 56.1 to 66.7 US cents over the year.

As our dollar's value rises, international dollars convert into fewer Australian dollars. This means the value of a foreign share in Australian currency actually falls when our dollar rises.

However, this effect was nullified in some QSuper options, with a strategic decision to hedge the currency exposure. The Cash Plus and Balanced options were partially shielded with the High Growth option being fully shielded.

Returns 2002/2003



Cash

For a third consecutive year, the Cash option has achieved its stated objective. This option only invests in cash like instruments.

Objective

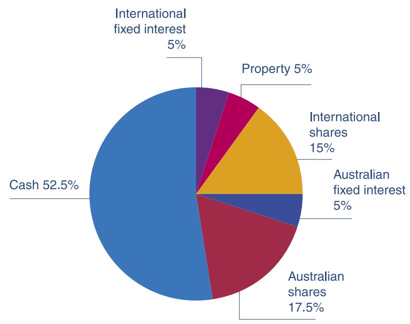
To credit members' accounts, over a 1 year period, with an average return of 0.5% p.a. below the cash rate after administration fees, but before tax.

Net returns	**2002/2003**	**3 year compound average**
Accumulation account	3.88%	4.13%
Allocated Pension account	4.64%	4.97%

ASSET CLASSES	RANGES	ALLOCATION 30 June 2002	ALLOCATION 30 June 2003
Cash	100%	100%	100%
Australian fixed interest	0%	0%	0%
International fixed interest	0%	0%	0%
Property	0%	0%	0%
Australian shares	0%	0%	0%
International shares	0%	0%	0%

CREDITING RATES	ACCUMULATION ACCOUNT	ALLOCATED PENSION ACCOUNT
2002/2003*	3.87%	4.62%
2001/2002	3.65%	4.38%
2000/2001	4.86%	5.89%
1999/2000	NA	NA
1998/1999	NA	NA
3 year compound average† The returns are net of fees and tax	4.12%	4.96%

†since introduction



Cash Plus

The large proportion of money invested in the defensive style asset classes has positively contributed to the return achieved by this option.

Objective

To credit members' accounts, over 3 year periods, with an average return of cash +0.75% p.a. after administration fees, but before tax.

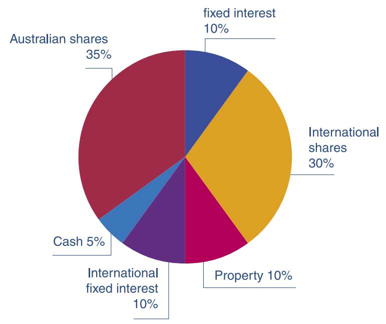
Net returns	**2002/2003**	**5 year compound average**
Accumulation account	0.99%	4.20%
Allocated Pension account	1.26%	4.52%

ASSET CLASSES	RANGES	ALLOCATION 30 June 2002	ALLOCATION 30 June 2003
Cash	47% — 65%	50.2%	53.3%
Australian fixed interest	3% — 7%	5.1%	3.9%
International fixed interest	0% — 11%	3.7%	2.1%
Property	2% — 8%	7.0%	5.2%
Australian shares	15% — 20%	18.8%	18.6%
International shares	9% — 21%	15.2%	16.9%

CREDITING RATES	ACCUMULATION ACCOUNT	ALLOCATED PENSION ACCOUNT
2002/2003*	1.21%	1.50%
2001/2002	0.03%	-0.01%
2000/2001	5.26%	5.90%
1999/2000	8.68%	8.84%
1998/1999	6.32%	6.86%
5 year compound average The returns are net of fees and tax	4.25%	4.57%

***Net returns 2002/2003**

Note the 2002/2003 crediting rates differ from net returns due to the one day lag in unit prices on 30 June 2003. In previous years, the net returns and crediting rates were the same. The crediting rates are received by members who have remained in the option/s for the entire year and made no transactions.



Balanced

Being a well diversified portfolio, the Balanced option has been able to mitigate the adverse effect of poor sharemarket returns.

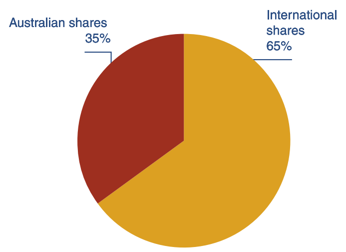
Objective

To credit members' accounts, over 5 year periods, with an average return of cash +2% p.a. after administration fees, but before tax.

Net returns	2002/2003	5 year compound average
Accumulation account	-2.37%	3.86%
Allocated Pension account	-2.59%	3.97%

ASSET CLASSES	RANGES	ALLOCATION 30 June 2002	ALLOCATION 30 June 2003
Cash	0% — 25%	0.8%	6.3%
Australian fixed interest	7% — 13%	10.2%	7.9%
International fixed interest	0% — 20%	7.3%	4.2%
Property	5% — 15%	14.0%	10.5%
Australian shares	32% — 38%	37.4%	37.3%
International shares	20% — 40%	30.3 %	33.8%

CREDITING RATES	ACCUMULATION ACCOUNT	ALLOCATED PENSION ACCOUNT
2002/2003*	-1.91%	-2.11%
2001/2002	-4.15%	-4.57%
2000/2001	5.12%	5.61%
1999/2000	12.88%	13.03%
1998/1999	8.86%	9.46%
5 year compound average The returns are net of fees and tax	3.96%	4.07%



High Growth

With 100% of the assets in this option being invested in share style investments, the poor performance of the sharemarkets has adversely impacted on the return achieved by this option.

The strategic decision to fully hedge the currency exposure of the international assets, has again proven valuable given the rising nature of the Australian dollar.

Objective

To credit members' accounts, over 10 year periods, with an average return of cash +3% p.a. after administration fees, but before tax.

Net returns	2002/2003	3 year compound average
Accumulation account	-3.86%	-7.87%
Allocated Pension account	-4.40%	-8.90%

ASSET CLASSES	RANGES	ALLOCATION 30 June 2002	ALLOCATION 30 June 2003
Cash	-2% — 2%	-0.5%	-0.2%
Australian fixed interest	0%	0%	0%
International fixed interest	0%	0%	0%
Property	0%	0%	0%
Australian shares	31% — 39%	35.1%	34.9%
International shares	61% — 69%	65.4%	65.3%

CREDITING RATES	ACCUMULATION ACCOUNT	ALLOCATED PENSION ACCOUNT
2002/2003*	-3.44%	-3.94%
2001/2002	-11.98%	-13.14%
2000/2001	-7.58%	-8.94%
1999/2000	NA	NA
1998/1999	NA	NA
3 year compound average† The returns are net of fees and tax	-7.73%	-8.75%

†since introduction

Defined Benefit account

Defined Benefit account investment strategy

The Defined Benefit account has a neutral allocation of 80% to Australian and international shares. Despite sharemarket returns, both locally and worldwide, impacting unfavourably on the earnings of the Fund over the year, the Board is comfortable with this allocation to shares as a long-term strategy, believing this will best enable the Fund to reach its investment objective. Strong returns for property (10% neutral allocation) and stable returns of the defensive asset classes (cash and fixed interest) have benefited the Fund.

QIC, as investment manager, implements the asset allocation within defined ranges around the neutral benchmarks. Tactical asset allocation ranges have also been established, enabling QIC to take short-term over or underweight positions in certain asset classes, to take advantage of market opportunities.

ASSET CLASSES	NEUTRAL ASSET ALLOCATION	ALLOCATION 30 June 2002	ALLOCATION 30 June 2003
Cash	0%	-1.9%	1.5%
Australian fixed interest	5%	4.2%	2.8%
International fixed interest	5%	4.4%	-2.0%
Property	10%	13.9%	13.5%
Australian shares #	40%	38.5%	41.4%
International shares	40%	40.9%	42.8%

The allocation to Australian shares includes an investment in Q•Invest Limited.

Over the year, the Defined Benefit account investments included amounts invested in portfolios with Suncorp, resulting from the transfer of the Queensland Ambulance Service Superannuation Scheme into QSuper during the 2001/2002 financial year. The monies held in these investments, approximately $82.5 million as at 1 July 2002, were completely transferred to the Fund by 31 January 2003.

Reserves

Reserves are amounts held aside to pay for specific items as they occur. The investment reserve was held to smooth returns for members in the Balanced with Reserves option. A general reserve is held to cover insurance for death and disability, income tax liabilities, and general administration costs. All reserves operate within an established reserving policy, approved by the QSuper Board of Trustees. The reserves are held in a mixture of cash and balanced investments.

RESERVE	GENERAL	INVESTMENT COMPONENT OF GENERAL RESERVE
30 June 2001	$152.87m	$87.44m (7.79%)*
30 June 2002	$109.67m	$0m (0%)*
30 June 2003	$97.78m	$0m (0%)*

*Percentage of member funds in the Balanced with Reserves option. Refer to the *Year in review* article (page 4) for details relating to the closure of the Balanced with Reserves option.

Assets above 5%

The following QSuper options had exposures over 5% at the end of the financial year.

Allocated Pension and Accumulation accounts Cash options: 16.05% exposure to NAB;

Allocated Pension and Accumulation accounts Cash Plus options: 10.37% exposure to NAB; and

Allocated Pension and Accumulation accounts High Growth option: 7.33% exposure to Barclay's US Index Fund.

Investment returns — defined benefit accounts

YEAR	DEFINED BENEFIT ACCOUNT			STATE ACCOUNT				POLICE ACCOUNT			
	Net earning rate	Crediting rate#	5 year objective (CPI +4.5%)	Net earning rate	Resignation crediting rate#	Preservation crediting rate#	5 year objective (CPI +4.5%)	Net earning rate	Resignation crediting rate#	Preservation crediting rate#	5 year objective (CPI +4.5%)
2002/2003	-2.40%	0%	–	-2.40%	0%	0%	–	-2.40%	0%	0%	–
2001/2002	-4.90%	0%	–	-4.90%	0%	0%	–	-4.90%	0%	0%	–
2000/2001	5.27%	5.20%	–	5.27%	4.80%	5.20%	–	5.27%	4.80%	5.20%	–
1999/2000	13.37%	13.35%	–	13.27%	12.85%	13.25%	–	13.32%	12.90%	13.30%	–
1998/1999	10.33%	10.35%	–	10.31%	9.90%	10.30%	–	10.35%	9.95%	10.35%	–
Compound average											
3 year	-0.77%	1.70%	–	-0.77%	1.58%	1.70%	–	-0.77%	1.58%	1.70%	–
5 year	4.09%	5.64%	7.65%	4.07%	5.38%	5.62%	7.65%	4.09%	5.40%	5.63%	7.65%

A smoothing policy applies to the defined benefit accounts to reduce the volatility of the yearly crediting rates. Therefore, the crediting rates might be lower than the net earning rates when markets perform well, while the opposite might occur when markets perform weakly. The crediting rates, which have a fee deducted for management, insurance, and tax expenses, apply to your personal contributions to your defined benefit account, but do not affect the final benefit you will receive.

Here, there, and everywhere

It was 9.30 p.m. when the QSuper team pulled into Rockhampton. They decided to drop in and check the next day's seminar venue at the Ambulance station before grabbing a meal and calling it a day. "G'day, we heard QSuper was coming to town. A few of us were hoping to get to your seminar tomorrow, but can't manage it around our shifts...", was the greeting they received.

The solution was obvious. The Ambos would phone in the best late night pizza in town and we would conduct a seminar right then, straight away, in the Ambulance station.

In fact, in the 2002/2003 financial year, QSuper visited around 60 towns and cities across Queensland, conducting seminars just like this one (well, perhaps not all like this one!). All up, over 600 seminars were held and we spoke to more than 23,000 Queenslanders about their super.

With 400,000 members, the QSuper Board of Trustees see a wide reaching seminar program that lets members talk to QSuper face to face, as critical in making sure we understand your needs and you understand your super.

Seminars have been held in offices, hospitals, dentists' rooms, railway yards, fire stations, footy clubs, on barges, and in Tafe colleges and schools. We've even done a seminar for a road gang on a partially completed roundabout! Wherever there are QSuper members across the State, we make every effort to get there.

Our most popular seminar, the *Financing your future seminar*, focuses on the QSuper features members may be able to take advantage of right now, to help boost their retirement savings and enjoy a secure retirement.

And there are other seminars on all sorts of topics. There are seminars for those close to retirement or being offered a voluntary early retirement. And, seminars on specific topics like salary sacrifice, investment performance, surcharge, and reasonable benefit limits. Whatever you need to know about your superannuation, chances are there is a QSuper seminar that covers it.

Many of our seminars are also supported by staff from QSuper's investment manager, QIC, along with financial planners from Q♦Invest.

To find out more about our seminar program, look on our website and then look out for QSuper. Chances are we will be somewhere near you soon - because we are here, there, and everywhere.

Meg Garbutt
SES Group Leader
20 year Meritorious Service Certificate 2001
Emergency Services Australia Day Achievement Medal 2003

QSuper member since January 1999

What's ***important*** to Meg?

"My job is health and safety, and outside my job I'm an SES Group Leader... so keeping my community safe is obviously important to me..."

Garry Ryan is the State President of the Australian Workers' Union and joined the QSuper Board of Trustees in June 2002.

Garry is a member of the Q-COMP and Workplace Health and Safety Boards and the Queensland Rural Ministerial Advisory Council.

Garry enjoys golf, rugby league, and time with his family.

Who is QSuper?

BY GARRY RYAN

As a QSuper member, you would recognise QSuper as the name of your super fund — the fund for Queensland Government workers. But, have you wondered what happens behind the scenes — how your money is invested, who looks after your account details and organises to pay your benefits, and how financial planning advice is provided to you?

Pictured left to right: Rosemary Vilgan (GSO), Bill Danaher (Q♦Invest), Doug McTaggart (QIC).

QSuper *Financing your future* Q♦Invest QIC YOUR INVESTMENT PARTNER

Behind the name QSuper there are three organisations that make everything work for you. They are the Government Superannuation Office (GSO), QIC, and Q♦Invest. The involvement of all these organisations is overseen by the QSuper Board of Trustees, which I am honoured to be a member of. The Board has five member and five employer representatives and meet every month to discuss and make decisions on a range of issues that guide these organisations in providing products and services to you. The GSO has well over 300 staff and is the voice and face of QSuper. The GSO provides information services to you through their Member Services, seminar program, website, and publications. The GSO is also responsible for maintaining records of your superannuation account and paying benefits. Rosemary Vilgan is the GSO's Chief Executive Officer, and is highly regarded as a leader in the superannuation field internationally. Rosemary is a former President of the Association of Superannuation Funds of Australia and in 2002 was named Fund Executive of the Year by the Fund Executives Association.

QIC is QSuper's investment manager, and under guidelines set out by the QSuper Board of Trustees, invests your money. QIC, which is based in Brisbane, also has offices in Sydney and Melbourne, and employs almost 200 staff.

QIC is also responsible for managing a number of other investment managers, who invest part of QSuper's international and Australian share portfolios. Dr Doug McTaggart is QIC's Chief Executive. He is a former Professor of Economics and Associate Dean at Bond University, and formerly held the position of Under Treasurer of Queensland.

Jointly owned by the QSuper Board of Trustees and QIC, Q♦Invest provides financial planning services to all QSuper members at no additional cost to them. Led by General Manager, Bill Danaher, Q♦Invest have 55 staff, including financial planners, customer service, and support staff.

The GSO, QIC, and Q♦Invest work together to ensure your superannuation fund provides you with the products and services you have come to expect from QSuper.

Changes to investment choice options

The Board has approved a proposal to change both the cash and fixed interest asset classes from 1 November 2003.

Cash returns will now be achieved by investing a proportion of the monies currently invested purely as cash, in a cash enhanced fund. The change is intended to increase returns by providing QIC with flexibility to invest in a wider range of cash like products.

The international and Australian fixed interest asset classes will be blended into a single fixed interest asset class. QIC will be able to invest in global corporate bonds and make tactical decisions between international and Australian bonds to increase returns.

The benchmark used to measure the performance of this asset class will be a hybrid of 40% UBSWA All Maturities Composite, and 60% Lehman Global Aggregate.

Good or bad advice?

The Australian Consumers' Association and the Australian Securities and Investments Commission released a report earlier this year that raised many concerns about the quality of financial advice provided to Australia's financial consumers.

Some of the concerns identified were:

- clients' needs and objectives being ignored;
- generic rather than specific plans;
- products recommended were those that gave the adviser the highest commission; and
- tax implications of advice not being considered.

There are of course many advantages to obtaining financial planning advice. As with any purchase, you need to make sure you receive quality, know your rights, and know what to look out for.

QSuper has produced a *Guide to seeking financial planning advice* to assist you in choosing a financial adviser. To obtain a copy, call QSuper on 1300 360 750, select option '1', follow the prompts, and then request document 820 (post back only). Alternatively, you can download it from our website at **www.qsuper.qld.gov.au** .

Margit and Kyle Rosenthall
Home owners/renovators
and dog lovers

Margit — QSuper member since July 2001
Kyle — spouse account member since August 2001

What's ***important*** to Margit and Kyle?

"... our home, our families, and our dog... "

Frequently asked questions

QSuper's Member Services has taken almost 2 million calls from QSuper members on a wide range of topics, and here are just a few of our most frequently asked questions.

Divorce — what happens to my super?

In the past, often one partner would be left with future super benefits while the other received more accessible assets like property and liquid funds. New Commonwealth legislation now allows super accounts to be split between formerly married parties (separated or divorced). This law does not apply to de facto or same sex couples.

Accumulation accounts are simply split based on the account balance. Defined Benefit accounts, however, see the primary member's multiple reduced, with the appropriate dollar value paid to an account for the receiving spouse. Any amount paid to the receiving spouse will be preserved, meaning it can only be accessed on permanent retirement after their preservation age .

Who are Q♦Invest and what services can they offer me?

Q♦Invest is a financial planning firm established for members of QSuper, and their partners or spouses, and is jointly owned by QSuper and QIC. Q♦Invest is a member of the Financial Planning Association of Australia and the Investment and Financial Services Association, so must comply at all times with the Codes of Ethics and Rules of Professional Conduct.

Q♦Invest specialises in retirement planning advice for QSuper members. They can offer you advice on retirement planning, salary sacrifice, superannuation and rollover products, allocated pensions and annuities, and managed funds. Q♦Invest services are provided at no additional cost to QSuper members and their planners are all salaried employees. This means you can be assured the advice you receive is based on what is appropriate for your situation, not what will provide the best remuneration for your planner.

How much should I contribute?

If you contribute between 2% and 5% of your pay into QSuper, core government employers will pay an extra amount of super above the minimum 9% required by Commonwealth legislation. An employee contributing 5% gains an extra 3.75% from their employer—a valuable subsidy. The vast majority of employee members contribute 5% of their pay, perhaps feeling they can't afford not to. Because, if you choose to contribute less than 5% of your pay, you are depriving yourself of extra money from your employer.

Can I still contribute if I am retired?

Yes, provided you are under age 65, you can contribute, for up to 2 years from when you last worked 10 hours or more, in a week. If you have not worked for over 2 years, you may be able to have contributions made to your account if you have a spouse. There are no age or working conditions for the contributing spouse. Special rules apply if you retired on the basis of total and permanent disability.

Up to age 75, personal contributions to super can be accepted, provided they are received when you are working at least 10 hours in the week.

Why is the RBA's cash rate higher than the QSuper Cash option?

The Reserve Bank of Australia's (RBA's) Cash Rate is always considered gross of fees and tax, whereas the return quoted by the QSuper Cash option is net of fees and tax.

If your money was invested in a cash product outside the superannuation environment, you would lose the tax concessions that apply for super, and pay tax on your earnings at your marginal tax rate. This could be as high as 48.5% of your earnings!

The RBA's quoted rates are also forward looking, i.e. what they will pay in the future, not what has been earned in the past. This differs from QSuper, where earnings quoted for our investment products are historical.

QIC YOUR INVESTMENT PARTNER

Top 5 commercial properties 30 June 2003
MLC Centre, Sydney
Colonial Centre, Sydney
Central Plaza I, Brisbane
Central Plaza II, Brisbane
141 Queen Street, Brisbane

QIC YOUR INVESTMENT PARTNER

Top 5 retail properties 30 June 2003
Castle Towers shopping centre, Sydney
Canberra Centre, Canberra
Eastland shopping centre, Melbourne
Logan Hyperdome, Logan
Robina Town Centre, Robina

Fees

How much are you paying?

Whichever way you look at it, QSuper's fees are among the lowest in Australia.

Different investment products often disclose their fees in different ways. Some split them up (as they have so many) while others group them under terms like management expense ratio (MER).

It is important to remember the returns QSuper members receive are determined after the deduction of management fees, external costs, and a taxation provision. That means our returns are always net of fees. There are no additional charges deducted from the unit price.

This is also important when comparing the investment performance of QSuper against other funds, as not all funds report their performance this way.

For the 2002/2003 year, QSuper's management fee has again remained at 0.35% of a members account balance. This fee incorporates all administration fees and an investment management fee, and is reviewed by the Board of Trustees annually.

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

Of course, when money is invested, transaction costs such as brokerage, stamp duty, audit fees, custodian and external manager fees are incurred by QIC. These costs are also deducted from the eventual return provided by QIC.

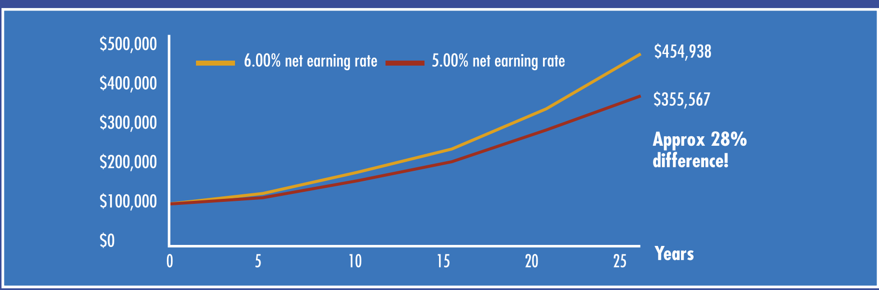
So, if you want to compare us against another product's MER (which also includes external investment costs plus many other fees and charges) the table below lists our MER's.

OPTION	MER	OPTION	MER
Cash	0.3688%	Balanced	0.4583%
Cash Plus	0.4136%	High Growth	0.5854%

Defined Benefit accounts (including State and Police accounts) provide a benefit based on a multiple of salary calculation, so fees and investment returns don't directly affect your end benefit. However, a management fee of 0.35% and tax expenses are deducted before earnings are applied to the contributions you pay into your account.

A final important point to remember is that QSuper members pay no entry fees, no exit fees, and no commissions. So, whichever way you look at it, QSuper's fees are among the lowest in Australia.

Look what a difference fees make!



Look what a 1% difference in fees could do to $100,000, invested over 25 years.

Assumptions

1. Both funds have the same risk profile and gross earnings. Net earning rate derived after deduction of all investment and admin costs from earnings.
2. The amount of fees and earnings remain constant for 25 years, and distributions are reinvested into the Fund.

Your privacy

QSuper values your privacy, and follows the requirements of the Queensland Government's privacy scheme.

Your personal information is only accessible by authorised QSuper personnel, or authorised service providers who are engaged by QSuper to perform specific functions.

QSuper will only release information to a Q•Invest financial planner where you have authorised them to acquire this information from us.

For further information about privacy, you can contact QSuper, or visit our website at **www.qsuper.qld.gov.au** .

300,000 welcomes!

Last year, 304,162 callers were greeted with the words "Welcome to QSuper". At an average of 1,000 calls per day, QSuper's Member Services is one of the busiest of any superannuation fund in Australia, receiving 1,500 calls per day during our peak period.

We also talked to 17,350 members face to face in our Member Services area, and over 20,000 more through our statewide seminars. On top of that, our website recorded 335,285 user sessions through the year. An increase from last year of almost 85,000.

So, if you think you'd like to talk to us about your super, you're not alone! We're waiting to take your call and in September and October we'll be answering the phones until 8.00 p.m.

Chris Barrett is the Assistant General Secretary of the Queensland Council of Unions and joined the QSuper Board of Trustees in April 2001.

He is also a member of the Training Recognition Council and the Open Learning Institute Council for the Department of Employment and Training. Chris enjoys travel, cooking and walking.

Superchanges

BY CHRIS BARRETT

Family Law update

The Commonwealth's *Family Law Legislation Amendment (Superannuation) Act 2001* (the Act) took effect from 28 December 2002. Now, separating couples are able to split their superannuation interests, with the Act encouraging people to come to their own agreement on this split. The Act authorises QSuper to provide certain information regarding a member's account to the member or their spouse. QSuper's rules have been changed to allow this, and a fact sheet explaining the process in more detail is available on the QSuper website.

Discrimination Law update

The QSuper Board of Trustees has amended the Fund rules to ensure QSuper complies with the Queensland *Discrimination Law Amendment Act 2002*, which came into effect on 1 April 2003. This legislation extends the rights and obligations to people in de facto relationships, regardless of gender.

A QSuper member's same sex or de facto spouse may now be entitled to a QSuper benefit in the event of the member's death. The amendments recognise de facto relationships (including same sex relationships) if there has been a 2 year cohabitation period. If the partners have not cohabitated for a 2 year period, the Board may still accept the claim where the facts of the case warrant it.

A payment made to a same sex partner may have different taxation consequences, due to the Commonwealth's taxation legislation.

Similarly, due to Commonwealth Government legislation, a QSuper member cannot make spouse contributions to the Fund for a same sex partner.

Other initiatives

Following changes to Commonwealth legislation, the QSuper Board has amended the rules of the Fund to:

- accept personal contributions from working members aged between 70 and 75 years;
- allow the Commonwealth's baby bonus payments to be paid into QSuper; and
- allow temporary residents who are permanently departing Australia to access their QSuper benefits.

Calculating a Defined Benefit account payment when you leave

When you close a defined benefit account, interest is applied to your member component at the interim crediting rate.

The defined benefit account interim crediting rates are calculated as the actual net earnings since the start of the financial year, up to the end of the last full month, combined with the estimated return for the month you leave.

From 1 October 2003, a cash-based earnings rate will be applied to your total defined benefit account payment from the date of your claim, to the actual payment date of your benefit.

QSuper unit prices in The Courier-Mail

QSuper unit prices are published in the business section of *The Courier-Mail* on the first working day of each month. You can also get a daily update from our website, by calling 1300 360 750, or from the unit price board which is on display in our foyer at 81 George Street, Brisbane.

Exempt fund status

QSuper is classed as an exempt public sector superannuation scheme under the Commonwealth Government's *Superannuation Industry (Supervision) Act 1993 (SIS)* and is treated as a complying superannuation fund.

However, in line with an agreement between all States and the Commonwealth, QSuper complies with the principles of the Commonwealth's retirement incomes policy, including paying benefits only at certain times, members having a right to their benefits, reporting to members, and the protection of benefits members have to date. In addition, the Queensland Government and the Board has determined, in all ways possible, QSuper will comply with SIS.

Financial highlights and summary

QSuper member funds as at 1 July 2002
$9,483,731,000

Total inflows
$1,271,498,000

Changes in net market value of investments	($176,824,000)
Employer contributions	$790,000,000
Member contributions	$459,211,000
Transfers in	$198,497,000
Other income	$614,000

Total outflows
$1,031,304,000

Benefits paid	$924,925,000
Administration expenses	$41,592,000
Income tax expense	$55,444,000
Other expenses	$9,343,000

QSuper member funds as at 30 June 2003	$9,334,945,000 *
QSuper employer funds as at 30 June 2003	$388,980,000
Net assets available to pay benefits at 30 June 2003	$9,723,925,000

*This amount represents defined benefit advance employer funding.

TOTAL ASSETS	$9,816,776,000	TOTAL LIABILITIES	$92,841,000
Investments	$9,802,300,000	Provision for fund tax	$42,287,000
Other assets	$14,466,000	Other liabilities	$50,554,000

FUND ACCOUNTS

This summary of the Fund's financial position was prepared before the audit of the accounts, using information available at the time of publication. The audited financial statements and auditor's report will be available from QSuper on request in November 2003.

The *Superannuation (State Public Sector) Act 1990* provides for the indemnification of the Board of Trustees. The Board has a level of indemnification that is consistent with Commonwealth superannuation laws and consistent with other State legislation. Any liability would therefore attach to the State.

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Find out all the latest information by subscribing to our quarterly newsletter, *Financing your future*. In each issue you will find valuable articles on a range of topics including:

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Deslie Mackay
Hockey Player
Coach and Club Secretary

QSuper member since October 1998

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"I play, my children play, it's how I met my husband, and I coach the BWHA juniors—you could say hockey is important to me..."

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INVESTMENT ACCESS FUNDS™

QSuper members can invest in a series of managed funds offered by Q•Invest*.
The Investment Access Funds offer you flexibility, the potential for growth and competitive fees from organisations you know and trust. Take the next step towards reaching your life goals.
For more information, or to obtain a copy of the Product Disclosure Statement, phone **1300 360 750**, visit www.qinvest.com.au or www.qsuper.qld.gov.au or email us at qinvest.info@qinvest.com.au .

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Q Invest is jointly owned by QSuper and QIC. You should consider the Product Disclosure Statement dated 1 April 2003 (which has the application form attached), in deciding whether to acquire, or continue to hold, the product.

QSuper *Financing your future*

QIC YOUR INVESTMENT PARTNER

QSUPER CONTACTS:

INTERNET: WWW www.qsuper.qld.gov.au

PHONE: **1300 360 750** *for the cost of a local call*

VISIT: David Longland Building
81 George Street
BRISBANE Q 4000

MAIL: GPO Box 200
BRISBANE Q 4001

FAX: (07) 3237 1118