



*Scott Dight  
member since 1988*

# WITH YOU ON THE JOURNEY

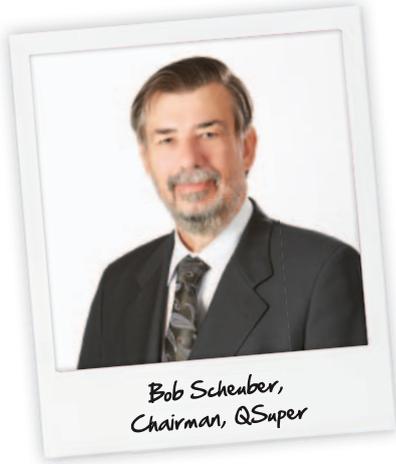
**ANNUAL REPORT  
TO MEMBERS 2012**

Issued 16 October 2012



**Q Super**<sup>®</sup>  
GROWING YOUR SUPER TOGETHER

# CHAIRMAN'S REPORT



It was a challenging year for all superannuation funds, as sharemarkets continued to be plagued by volatility driven by weak US growth and events in Europe. The continuing global economic uncertainty means it's essential that QSuper maintains a focus on the long term. In developing our future strategy, QSuper is committed to our core purpose – to improve the retirement outcomes of our members.

## The external environment

While the world economy has a significant impact on many members' superannuation accounts, so do changes in Commonwealth Government legislation. The Government continues to implement its 'Stronger Super' measures and QSuper broadly supports these changes. You can read about legislative changes that may affect some members on page 5.

## Continuing to evolve

In 2010, QSuper made a strategic decision to build an internal Investments team, giving the QSuper Board of Trustees even more control of investment implementation. In addition to delivering significant cost savings (\$30m over the last year), this capability helps the Board implement enhancements sooner and uses the knowledge within the team to support our broader strategic program.

2011 saw the launch of our new brand, which is built around the philosophy that we do things better when we do them together. This philosophy has led the Board to integrate the operations of QSuper Limited and Q Invest.<sup>1</sup> This will ensure that members receive more tailored services, information, education and advice.

## QSuper's strategic direction

In late 2011, the Board approved the *2012–2015 Strategic Plan* focused on delivering our 'member for life' philosophy. The Board is committed to delivering relevant advice, products and services to all members.

In 2013 QSuper will start implementing a new approach to helping members achieve their retirement goals. This will see QSuper move away from a one-size-fits-all default superannuation approach to a target retirement approach. The first step was changing the investment strategy of the QSuper Balanced (Default) option earlier this year.

To ensure QSuper is able to continue to meet the needs of all members, the Board approved a 0.03% increase in the administration fee for Accumulation and Pension account members from 0.19% to 0.22%, effective 1 January 2013. This decision was not taken lightly, however the Board is confident that QSuper continues to deliver excellent value and remains one of the lowest cost

superannuation funds in Australia. You can find more information about this change on page 8.

## Looking ahead

QSuper celebrates its centenary year in 2013 and the Board is proud that QSuper has positively contributed to the retirement outcomes of members over this time.

The Board is confident its new direction will ensure that QSuper continues to make a positive difference to the retirement outcomes for all members.

I would like to thank my fellow Trustees, and on behalf of the Board, express my appreciation to QSuper's CEO, Rosemary Vilgan, QSuper's Executive Management team, and QSuper Limited and Q Invest Limited staff for their hard work during the year. I would also like to thank the Queensland Audit Office, Towers Watson Australia, Ernst & Young and the State Actuary for their ongoing assistance. Finally, on behalf of the Board, I acknowledge the significant contributions of the departing Trustees, Norelle Deeth, John Carpendale and Natalie MacDonald, and I thank them for their service.



**Bob Scheuber**  
Chairman, QSuper

<sup>1</sup> QSuper Limited (ABN 50 125 248 286, AFSL 334546) and Q Invest Limited (ABN 35 063 511 580, AFSL 238274) are both ultimately owned by the QSuper Board as trustee of the QSuper Fund.



# MESSAGE FROM THE CEO



Rosemary Vilgan,  
Chief Executive Officer, QSuper

This has been a busy year for QSuper as we helped our members navigate through difficult economic conditions. At this time, it is essential that QSuper continues to provide access to advice, information, products and services that help our members achieve their retirement goals.

At QSuper our youngest contributing member is nearly 16, while our oldest member celebrated their 104th birthday this year.<sup>2</sup> With over 540,000 members spanning such a range of ages we know that we need to look beyond the traditional one-size-fits-all approach to super.

## A time for change

We've already started to make significant changes that we believe will help improve all members' retirement outcomes. These include recent changes to the investment strategy of the QSuper Balanced (Default) option, which aims to provide a more stable return over a ten year period.

Accumulation account members' annual benefit statements now include a retirement

benefit estimate, so these members can see whether they are on track to meet their retirement goals.

In addition to planning further changes to the way we manage investments, we are reviewing our investment options, products and services to ensure that QSuper delivers what our members need. We plan to implement this approach over time and will keep members updated on any changes.

Easy access to information and advice plays a key role in helping all members achieve their retirement goals. We have strengthened our partnership with Q Invest and are integrating the business operations to deliver a seamless service. This means that when you contact QSuper, we can quickly connect you with relevant advice and information.

These initiatives build on the success of the 2009–2012 Strategic Plan, and will help deliver on the Board's member for life' philosophy.

## Your fund for life

Every member should feel that QSuper can help them reach their goals, whatever their stage of life. So, if you change employers, we've recently made it easier for you to take us with you as your super fund.

Whether you've just started working or are enjoying retirement, QSuper will help you reach and maintain the retirement lifestyle you've always dreamed of.



Rosemary Vilgan  
Chief Executive Officer, QSuper

For the sixth year in a row QSuper's Accumulation account has achieved a platinum rating from independent ratings agency SuperRatings.<sup>1</sup>

## CONTENTS

Board of Trustees & Executive Management team	4
The Commonwealth Government and your super	5
About QSuper's investments	6
QSuper investment policies	7
QSuper reserves	7
QSuper fees and costs	8
Changes to investment options	8
Standard Risk Measure	9
QSuper investment options	10-12
Defined benefit accounts	13
Important information	14
Financial statements	15

### Important information

This document is issued by the Board of Trustees of the State Public Sector Superannuation Scheme (ABN 32 125 059 006) (QSuper Board). The QSuper Board is the issuer of interests in the State Public Sector Superannuation Scheme (ABN 60 905 115 063) (QSuper Fund).

The QSuper Board is required to provide you with information that reasonably allows you to understand your benefit entitlements. This is the *Annual Report to Members 2012*, which provides general information about the performance, management and financial condition of the Fund and should be read in conjunction with your *Benefit Statement* as at 30 June 2012.

The QSuper Board is not licensed to provide financial product advice. This information has been prepared for general purposes only without taking into account your objectives, financial situation, or needs and should not be relied on as legal or taxation advice, nor does it take the place of such advice. As a result, you should consider the appropriateness of the information for your circumstances and read the product disclosure statement (PDS) before deciding whether to acquire, or continue to hold, a product. You can obtain a PDS at [qsuper.qld.gov.au](http://qsuper.qld.gov.au) or by calling us on 1300 360 750.

Where the term 'QSuper' is used in this document, it represents the QSuper Board and the QSuper Fund, unless expressly indicated otherwise.

<sup>1</sup> SuperRatings, Fundamentals Accumulation, issued 31 March 2012. SuperRatings does not issue, sell, guarantee or underwrite this product. Go to [www.superratings.com.au](http://www.superratings.com.au) for details of its ratings criteria. <sup>2</sup> Current at 26 June 2012.



# BOARD OF TRUSTEES

Established under the *Superannuation (State Public Sector) Act 1990* (the QSuper Act), the QSuper Board is responsible for administering the QSuper Fund.

The QSuper Board consists of twelve Trustees, with equal representation from both employer and member entity (employee) organisations. The Trustees are appointed by the Queensland Treasurer in accordance with the QSuper Act. The day-to-day running of QSuper is delegated by the QSuper Board to the Chief Executive Officer and Executive Management team of QSuper Limited. However, the QSuper Board retains responsibility for the operation of QSuper.

The Board has a number of committees to help it carry out its responsibilities. These are:

- Audit & Risk Committee
- Product & Services Committee
- Investment Committee
- Human Resources Committee

In addition to the Trustees appointed to these committees, the Investment Committee has three specialist members: Mr Michael Rice (Chairman), Mr Ian Macoun and Ms Lorraine Berends, while the Audit & Risk Committee has one specialist member, Mr Stephen Maitland OAM.

The QSuper Act provides for the indemnification of the QSuper Board. In this regard, the QSuper Board has taken out indemnity insurance under a *Trustee Liability Policy*.

## Employer Trustees

Six Employer Trustees are appointed by the Queensland Treasurer. Details of the Employer Trustees are listed below.

Two Employer Trustee positions are vacant at the date of publication.



**Bob Scheuber, AM (Chairman)**  
Former Chief Executive Queensland Rail  
Appointed: December 2007



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



**Walter Ivessa**  
Assistant Under-Treasurer Queensland Treasury and Trade  
Appointed: June 2009



**Debbie Best**  
Director-General Department of Aboriginal and Torres Strait Islander and Multicultural Affairs  
Appointed: September 2011

## Member Entity Trustees

Six Member Entity Trustees are nominated as follows: one representative by the Australian Workers' Union Queensland and five representatives by the Queensland Council of Unions. Appointment is made by the Queensland Treasurer. Details of the Member Entity Trustees are listed below.



**Steve Ryan (Deputy Chairman)**  
Immediate Past President Queensland Teachers' Union  
Appointed: June 1994



**Karen Peut, PSM**  
Executive Director Department of Transport and Main Roads  
Appointed: May 1985



**Tom Jeffers**  
Vice-President Australian Workers' Union Queensland  
Appointed: August 2007



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



**Amanda Richards**  
Assistant General Secretary Queensland Council of Unions  
Appointed: September 2008



**Mick Barnes**  
General Secretary Queensland Police Union of Employees  
Appointed: June 2009

Bob Scheuber	Peter Henneken	Walter Ivessa	Debbie Best (Started 5 Sept. 2012)	John Carpendale (exited 31 May 2012)	Norelle Deeth (exited 31 May 2012)	Natalie MacDonald (exited 29 August 2011)	Steve Ryan	Karen Peut	Tom Jeffers	Gay Hawksworth	Amanda Richards	Mick Barnes
10	10	10	7	7	9	1	10	10	8	9	10	9
10	10	10	8	9	9	2	10	10	10	10	10	10
■ Number of Board meetings attended						■ Number of Board meetings the Trustee was eligible to attend						

## Executive Management team

Overseeing QSuper Limited is the Executive Management team. The members of the team are:

Chief Executive Officer <b>Rosemary Vilgan</b>						
Chief Strategy Officer <b>Michael Pennisi</b>	Chief Officer Advice & Q Invest <b>Stephen Cullen</b> (commenced 2 July 2012)	Chief Officer Member Administration <b>Matthew Halpin</b>	Chief Investment Officer <b>Brad Holzberger</b>	Chief Financial Officer <b>Michael Cottier</b>	Chief Officer Information & Technology <b>David Bowen</b> (commenced 13 August 2012)	Chief Officer HR & Internal Communications <b>Paul Landy</b>

# THE COMMONWEALTH GOVERNMENT AND YOUR SUPER

## Passed legislation

### Increase in the superannuation guarantee

The superannuation guarantee (SG) rate (i.e. the amount employers are required to contribute to your superannuation account) will gradually increase from 9% to 12% of ordinary time earnings by 2019. Many QSuper members who are employed by the Queensland Government and who make standard contributions already receive employer contributions above the current SG rate.

The new SG scale is shown below.

Year commencing	Increase	Total
1 July 2013	0.25	9.25%
1 July 2014	0.25	9.5%
1 July 2015	0.50	10%
1 July 2016	0.50	10.5%
1 July 2017	0.50	11%
1 July 2018	0.50	11.5%
1 July 2019	0.50	12%

### Superannuation guarantee age limit abolished

From 1 July 2013, the age limit for the payment of contributions will be abolished, potentially benefiting an additional 51,000<sup>1</sup> Australians aged 70 and over.

### Low income superannuation contribution

From 1 July 2012, the superannuation funds of employees earning less than \$37,000 a year and receiving concessional (before-tax) superannuation contributions from their employer will receive 15% of the financial year's eligible concessional contributions (up to \$500), from the Commonwealth Government into their superannuation account.

### Refund of excess concessional contributions

New legislation applies to contributions made from the 2011/2012 financial year and allows those members who have breached the contributions cap for the first time, by \$10,000 or less, the option to have these contributions refunded and taxed at their potentially lower marginal tax rate rather than incurring the excess contributions tax rate.

## Proposed legislation

### Freeze on concessional contributions cap

The Commonwealth Government has announced it will defer the higher concessional contributions cap for people aged 50 or over. Initially proposed to start from 1 July 2012, and now proposed to begin from 1 July 2014, the measure would allow individuals aged 50 and over with cumulative super balances of below \$500,000 to contribute up to \$25,000 more in concessional contributions than the standard cap. **This deferral means that for the 2012/2013 and 2013/2014 financial years the concessional contributions cap of \$25,000 will apply to everyone regardless of age or super balance.**

### Increased contributions tax for individuals earning greater than \$300,000 p.a.

It is proposed that from 1 July 2012, the super contributions tax will effectively be increased from 15% to 30% on most concessional contributions for individuals earning more than \$300,000 p.a.

For more information, visit the ATO website.

### Change to co-contribution matching rate and thresholds

The super co-contribution is a payment made to your superannuation account by the Commonwealth Government when you also make personal after-tax contributions to your super account (eligibility conditions apply). From 1 July 2012, it is proposed that the maximum co-contribution be reduced from \$1,000 to \$500 for people on incomes (as defined by the ATO) of up to \$31,920. It is also proposed that the upper income limit at which you are still eligible for some co-contribution be reduced to \$46,920 from \$61,920.

*These measures are currently only proposals and are dependent on legislation being passed through parliament.*

<sup>1</sup> Joint Media Release issued 18 March 2012: More Super For Australians. Issued on behalf of the Hon Wayne Swan MP (Deputy Prime Minister and Treasurer) and Hon Bill Shorten MP (Minister for Financial Services and Superannuation).



*Maria Gaudiello  
member since 1995*

# ABOUT QSUPER'S INVESTMENTS

## Who invests your money?

QSuper has appointed QSuper Limited as an investment manager. In addition, QSuper has established investment arrangements directly and indirectly with external managers.

These managers may change from time to time but include direct engagements with QIC Limited, State Street Global Advisors Australia Ltd and DFA Australia Limited.

## Allocation of investment returns

All QSuper Accumulation and QSuper Pension accounts are unitised. This means these accounts are expressed as a number of units, so the value of your benefit is determined by the number of units held and the daily unit price of each investment option. Each investment option has a unit price that is set daily, and which is net of fees and taxes. These unit prices change daily to reflect investment returns and positive and negative changes in market value. QSuper's unit prices are a reflection of the movement in the value of the portfolio's underlying assets from two business days earlier.

QSuper has the discretion to suspend unit prices if we require further validation of a unit price. If QSuper uses this discretion, information will be available on the QSuper website.

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

At the end of the 2011/2012 financial year, the Fund had 6.6% invested in the QIC Property Fund and 8.5% in the QIC High Duration Bonds Trust. These investments are diversified portfolios with no single underlying asset valued at more than 5% of total assets of the Fund.

## Monitoring of QSuper investment option asset and currency allocation ranges

QSuper's investment options are monitored daily to ensure that any variations from the prescribed asset allocation or currency ranges are addressed in a timely manner.

## Monitoring of external investment management agreements

QSuper monitors the compliance of external managers it has direct arrangements with against specific Investment Management Agreements (IMAs). Breaches are addressed in a timely manner and regular reports are provided to the Board.

## Change to 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 QSuper's assets, thereby separating the fund managers from the physical securities.

In 2012, QSuper signed a new custody agreement with State Street Australia Limited. State Street will replace NAB Asset Servicing (NAS) as the fund's custodian. The new custodian was chosen after an extensive review of potential custodians.

The appointment does not change any pre-existing arrangements with QSuper's investment managers.



## Key manager arrangements

Asset manager	Asset class exposure
Alinda Capital Partners	Infrastructure
AMP Capital Investors Ltd	Responsible Investment Leaders Balanced Fund (SRI option)
AQR Capital Management, LLC	Alternatives
Bridgewater Associates, LP	Alternatives
DFA Australia Limited <sup>1</sup>	Australian shares
	Global equities value
	Emerging market shares
Global Endowment Management, LP	Alternatives
Global Infrastructure Partners	Infrastructure
Invesco Advisors, Inc <sup>1</sup>	North american real estate
Jamestown Premier GP, LP	North american real estate
Makena Capital Management, LLC	Alternatives
Northwater Capital Management, Inc	Intellectual property
Partners Group	Alternatives
	Cash
	Fixed interest
	Real estate
	Private equity
QIC Limited <sup>1</sup>	Infrastructure
	Australian shares
	International shares
	Australian shares
Vanguard Investments Australia Ltd <sup>1</sup>	Australian shares
Principal Global Investors (Australia) Limited <sup>1</sup>	Alternatives
State Street Bank and Trust Company <sup>1</sup>	Alternatives

<sup>1</sup> These investment managers have been directly appointed by QSuper.

# QSUPER INVESTMENT POLICIES

## Derivatives Policy

The Fund uses derivative instruments as part of its overall investment strategy.

A derivative is a financial asset or liability whose value depends on or is derived from other assets, liabilities or indices (termed 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 composites of these instruments.

The Board has policies and controls in place to ensure the appropriate use of derivatives in line with the Fund's overall investment strategy. Through its investment managers, the Board authorises the use of derivatives to manage exposures to specific investment markets and fluctuations in underlying market, currency, or asset specific values.

## Derivatives charge ratio

The derivatives charge ratio is the percentage of total market value of the assets of the Fund (other than cash) that the Trustee has charged

as security for derivatives investments made by the Trustee.

At no point during the 2011/2012 financial year did the market value of the assets that were subject to a charge in relation to a derivative contract relative to total assets of the Fund exceed 5%.

## In-house Asset Policy

The *Superannuation Industry (Supervision) Act 1993 (SIS Act)* details 'in-house' asset rules that are designed to ensure the security of investments set aside for the provision of members' retirement incomes is not dependent on the success of the business activities of an employer or other related party. In summary, these 'in-house' assets are not to exceed 5% of total assets.

During the 2011/2012 financial year, QSuper did not have more than 5% 'in-house' assets at any time.



John Gregg  
member since 1996

# QSUPER RESERVES

## General Reserve

The primary purpose of the General Reserve is to ensure there is adequate provisioning to meet QSuper's current and future liabilities associated with administration costs, strategic initiatives and operational risk.

The General Reserve operates under a policy approved by the QSuper Board, which sets and annually reviews the investment strategy for the Reserve. In setting the investment strategy for the Reserve, consideration is given to the purpose of the Reserve, the nature of the underlying liabilities and investment risk.

At 30 June 2012, 40% of the General Reserve was invested using the QSuper Balanced (Default) strategy, and 60% was invested using the QSuper Moderate strategy.

General Reserve <sup>1</sup>	\$'000
30 June 2012	164,984
30 June 2011	421,969
30 June 2010	350,017
30 June 2009	157,145

## Insurance Reserve

The Insurance Reserve is maintained for the purpose of holding QSuper's Accumulation account insurance premiums and meeting the fund's self-insurance obligations.

The State Actuary determines the adequacy of the Insurance Reserve and reviews the self-insurance arrangements annually.

The Insurance Reserve operates under a policy approved by the QSuper Board, and is monitored and reviewed by management monthly.

The Insurance Reserve is currently invested using the Cash strategy.

Insurance Reserve	\$'000
30 June 2012	193,194
30 June 2011	170,901
30 June 2010	179,572
30 June 2009	164,609

## Unallocated Contributions Reserve

The purpose of the Unallocated Contributions Reserve is to bear the risk of any movement in investment earnings during the contributions allocation process.

The Board has previously approved the QSuper Balanced (Default) option strategy for the Unallocated Contributions Reserve because analysis of the investment preferences adopted by members shows that contributions continue to be invested primarily in the QSuper Balanced (Default) option.

The Unallocated Contributions Reserve is monitored and reviewed by management quarterly, and by the QSuper Board annually.

Unallocated Contributions Reserve	\$'000
30 June 2012	19,324
30 June 2011	18,880
30 June 2010	8,345
30 June 2009	8,799

<sup>1</sup> More information about movements within this reserve can be found in the *Annual Report to Parliament*, which will be available on our website in December 2012.

# QSUPER FEES AND COSTS

## Investment fees and costs

QSuper has always placed great importance on offering value for money to members, which is why we pride ourselves on having some of the lowest fees in Australia. We are also committed to ensuring our fees are competitive with the industry as a whole. As such, our fees are reviewed regularly.

It is important to understand that fees and costs are impacted by many things. QSuper's administration fee has been 0.19% for Accumulation and QSuper Pension accounts since July 2010. From 1 January 2013 however, the administration fee will increase by 0.03% to 0.22%. This means that on an account balance of \$10,000 the administration fee will increase from \$19 to \$22 p.a. This increase will help ensure that QSuper can offer the best products, services, information and advice to members to help them reach their retirement goals.

Management fees for all investment options for the 2011/2012 financial year are shown in the tables on pages 10-12.

## How we report fees

The cost of managing your investment is split into three separate fee components.

### 1. Administration fee

This is the fee deducted by QSuper to cover the costs incurred in managing your super.

### 2. Investment fee

This is the fee deducted by QSuper to pay investment managers for managing the assets within each investment option.

### 3. Performance fee

This is the fee deducted by QSuper to pay investment managers who outperform an agreed return target.

Administration, investment and performance fees are deducted daily from the unit price before unit prices are declared. An estimate of the performance fee is reflected in the daily unit price.

For more information on fees and costs, please refer to the relevant product disclosure statement (PDS).

## 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 QSuper Moderate strategy.

The VPP crediting rate for the 2011/2012 financial year was applied to VPP (closed) investment option member accounts before the capital guarantee fee was debited. The VPP crediting rate for the 2011/2012 financial year was 5.52%.

# CHANGES TO INVESTMENT OPTIONS

In 2012, the QSuper Board of Trustees reviewed the investment strategy and objective of the QSuper Balanced (Default) option and decided that changes were required to better meet the needs of our members in the future.

From 15 June 2012, the QSuper Balanced (Default) option was changed as outlined opposite. The timeframe, objective and asset allocation ranges of QSuper's investment options are set by the QSuper Board of Trustees.

The changes made to the QSuper Balanced (Default) option will provide greater flexibility to manage the assets of this option and the potential volatility of investment markets.



Prior to 15 June 2012

## QSuper Balanced (Default)

### Timeframe

Suited to investors with an investment timeframe of more than five years.

### Objective

To achieve an average return over rolling five-year periods of CPI<sup>1</sup> + 4% p.a. after fees and tax.

### Risk

A negative return is expected one in every five years.



### Asset allocation ranges (%)

	Range
Cash	0–25
Fixed interest	0–25
Property	0–20
Australian shares	20–40
International shares	15–35
Alternative assets	0–20
Infrastructure	0–20

<sup>1</sup> CPI – Consumer Price Index.



Current

## QSuper Balanced (Default)

### Timeframe

Suited to investors with an investment timeframe of more than five years.

### Objective

To achieve a return of CPI + 4% p.a. after fees and tax, measured over rolling 10 year periods.

### Risk

A negative annual return is expected between two and three times in every twenty years.



### Asset allocation ranges (%)

	Range
Cash	0–25
Fixed interest	5–35
Property	0–20
Australian shares	5–30
International shares	5–45
Alternative assets	0–25
Infrastructure	0–20

# STANDARD RISK MEASURE

The Association of Superannuation Funds of Australia (ASFA) and the Financial Services Council (FSC) have released guidelines for risk measures which recommend all superannuation funds use a Standard Risk Measure (SRM) from 22 June 2012. The SRM applies to all investment options and includes seven risk bands, with risk labels ranging from 'very low' to 'very high'.

QSuper has nine investment options, ranging from very low to very high risk, and has used risk levels to show the relative risk of each

option for many years. We have now updated these risk measures with the new SRM, which allows members to compare investment options that are expected to deliver a similar number of negative annual returns over any 20 year period. You can see the previous risk levels next to the new SRMs below.

It's important to remember the SRM is not a complete assessment of all forms of investment risk. For instance it does not detail what the size of a negative return could be or the potential for a positive return to be less

than a member may require to meet their objective. Further, it does not take into account the impact of administration fees and tax on the likelihood of a negative return. Members should ensure they are comfortable with the risks and potential losses associated with their chosen investment option/s.

To find out more about SRM risk labelling and the calculation methodology applied for QSuper's investment options, visit our website, [qsuper.qld.gov.au](http://qsuper.qld.gov.au).

Investment options	Risk level prior to 15 June 2012	Standard Risk Measure (SRM) from 15 June 2012
 QSuper Balanced (Default)	A negative return is expected one year in every five years. Lowest Low Low medium Medium <b>Medium high</b> High Highest	A negative annual return is expected between two and three times in every 20 years. Very low Low Low to medium <b>Medium</b> Medium to high High Very high
 QSuper Moderate	A negative return is expected one year in every ten years. Lowest Low <b>Low medium</b> Medium Medium high High Highest	A negative annual return is expected between one and two times in every 20 years. Very low Low <b>Low to medium</b> Medium Medium to high High Very high
 QSuper Socially Responsible	A negative return is expected one year in every four years. Lowest Low Low medium Medium <b>Medium high</b> High Highest	A negative annual return is expected between four and six times in every 20 years. Very low Low Low to medium Medium Medium to high <b>High</b> Very high
 QSuper Indexed Mix	A negative return is expected one year in every five years. Lowest Low Low medium Medium <b>Medium high</b> High Highest	A negative annual return is expected between three and four times in every 20 years. Very low Low Low to medium Medium <b>Medium to high</b> High Very high
 QSuper Aggressive	A negative return is expected one year in every four years. Lowest Low Low medium Medium Medium high <b>High</b> Highest	A negative annual return is expected between four and six times in every 20 years. Very low Low Low to medium Medium Medium to high <b>High</b> Very high
 Cash	A negative return is not expected over one year. <b>Lowest</b> Low Low medium Medium Medium high High Highest	A negative annual return is not expected over 20 years. <b>Very low</b> Low Low to medium Medium Medium to high High Very high
 Diversified Bonds	A negative return is expected one year in every nine years. Lowest Low <b>Low medium</b> Medium Medium high High Highest	A negative annual return is expected less than one year in every 20 years. Very low <b>Low</b> Low to medium Medium Medium to high High Very high
 International Shares	A negative return is expected one year in every three years. Lowest Low Low medium Medium Medium high High <b>Highest</b>	A negative annual return is expected between four and six times every 20 years. Very low Low Low to medium Medium Medium to high <b>High</b> Very high
 Australian Shares	A negative return is expected one year in every three years. Lowest Low Low medium Medium Medium high High <b>Highest</b>	A negative annual return is expected greater than six times every 20 years. Very low Low Low to medium Medium Medium to high High <b>Very high</b>

# QSUPER INVESTMENT OPTIONS

## Default option



### QSuper Balanced (Default)

Suitable for medium to long-term investors who want exposure to assets with potentially higher returns. Investors in the QSuper Balanced (Default) 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 + 4% p.a. after fees and tax, measured over rolling ten-year periods.

#### Fees

##### Management fees for 2011/2012

Admin fee%	Investment fee %	Performance fee %	Total %
0.19	0.32	0.10	0.61

#### Risk

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



#### Asset allocations

	Actual asset allocations (%) Year ended 30 June 2012	Actual asset allocations (%) Year ended 30 June 2011	Ranges (%)
Cash	19	12	0-25
Fixed interest	17	18	5-35
Property	9	7	0-20
Australian shares	20	29	5-30
International shares	18	24	5-45
Alternative assets	10	5	0-25
Infrastructure	7	5	0-20

#### Investment returns<sup>1</sup>

	Accumulation account	QSuper Pension account
<b>Crediting rate (%)</b>		
12 months	6.77	7.75
3 years p.a.	8.92	10.15
5 years p.a.	1.86	2.39
10 years p.a.	6.31	7.20

## Ready Made options



### QSuper 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 QSuper Moderate option should also be prepared to sacrifice the potential for higher returns in exchange for short to medium-term stability.

#### Objective

To achieve an average return over rolling three-year periods of CPI + 3% p.a. after fees and tax.

#### Fees

##### Management fees for 2011/2012

Admin fee%	Investment fee %	Performance fee %	Total %
0.19	0.21	0.05	0.45

#### Risk

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



#### Asset allocations

	Actual asset allocations (%) Year ended 30 June 2012	Actual asset allocations (%) Year ended 30 June 2011	Ranges (%)
Cash	56	56	40-70
Fixed interest	8	9	0-12.5
Property	4	4	0-10
Australian shares	13	15	10-20
International shares	11	11	7.5-17.5
Alternative assets	5	3	0-10
Infrastructure	3	2	0-10

#### Investment returns<sup>1</sup>

	Accumulation account	QSuper Pension account
<b>Crediting rate (%)</b>		
12 months	5.35	6.23
3 years p.a.	6.77	7.41
5 years p.a.	3.10	3.55
10 years p.a.	5.40	6.18



### QSuper Socially Responsible

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 QSuper 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 an average return over rolling five-year periods of CPI + 3.5% p.a. after fees and tax.

#### Fees

##### Management fees for 2011/2012

Admin fee%	Investment fee %	Performance fee %	Total %
0.19	0.71	0.02	0.92

#### Risk

A negative annual return is expected between four and six times in every 20 years.



#### Asset allocations

	Actual asset allocations (%) Year ended 30 June 2012	Actual asset allocations (%) Year ended 30 June 2011	Ranges (%)
Cash	3	2	0-10
Fixed interest	22	23	10-36
Property	13	14	0-35
Australian shares	35	36	28-48
International shares	26	25	4-42
Alternative assets	1	0	0-10
Infrastructure	0	0	0

#### Investment returns<sup>1</sup>

	Accumulation account	QSuper Pension account
<b>Crediting rate (%)</b>		
12 months	0.52	0.62
3 years p.a.	5.39	6.03
5 years p.a.	-0.75	-0.87
10 years p.a.	n/a	n/a



## QSuper Indexed Mix

Suitable for medium to long-term investors who want to be invested in the lowest fee Ready Made option and prefer its investment strategy. Investors in the QSuper Indexed Mix option who want exposure to assets with potentially higher returns should also be prepared to accept more fluctuations in the value of their investment over the short term.

### Objective

To achieve an average return over rolling five-year periods of CPI + 3.5% p.a. after fees and tax.

### Fees

#### Management fees for 2011/2012

Admin fee%	Investment fee %	Performance fee %	Total %
0.19	0.17	0.02	0.38

### Risk

A negative annual return is expected between three and four times in every 20 years.



### Asset allocations

	Actual asset allocations (%) Year ended 30 June 2012	Actual asset allocations (%) Year ended 30 June 2011	Ranges (%)
Cash	6	8	0–13
Fixed interest	25	25	18–32
Property	9	7	0–20
Australian shares	35	35	28–42
International shares	25	25	18–32
Alternative assets	0	0	0
Infrastructure	0	0	0

### Investment returns<sup>1</sup>

	Accumulation account	QSuper Pension account
<b>Crediting rate (%)</b>		
12 months	2.08	2.50
3 years p.a.	8.41	8.80
5 years p.a.	n/a	n/a
10 years p.a.	n/a	n/a



## QSuper Aggressive

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

### Objective

To achieve an average return over rolling ten-year periods of CPI + 5% p.a. after fees and tax.

### Fees

#### Management fees for 2011/2012

Admin fee%	Investment fee %	Performance fee %	Total %
0.19	0.38	0.14	0.71

### Risk

A negative annual return is expected between four and six times in every 20 years.



### Asset allocations

	Actual asset allocations (%) Year ended 30 June 2012	Actual asset allocations (%) Year ended 30 June 2011	Ranges (%)
Cash	8	3	0–15
Fixed interest	2	7	0–20
Property	9	7	0–20
Australian shares	23	28	15–45
International shares	37	40	25–55
Alternative assets	11	8	0–25
Infrastructure	10	7	0–20

### Investment returns<sup>1</sup>

	Accumulation account	QSuper Pension account
<b>Crediting rate (%)</b>		
12 months	2.83	3.13
3 years p.a.	8.22	9.78
5 years p.a.	-1.36	-0.81
10 years p.a.	5.63	6.77

## Your Choice options



## 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 UBS Bank Bill Index after fees and tax.

### Fees

#### Management fees for 2011/2012

Admin fee%	Investment fee %	Performance fee %	Total %
0.19	0.08	0.0	0.27

### Risk

A negative annual return is not expected over 20 years.



### Asset allocations

	Actual asset allocations (%) Year ended 30 June 2012	Actual asset allocations (%) Year ended 30 June 2011	Ranges (%)
Cash	100	100	100
Fixed interest	0	0	0
Property	0	0	0
Australian shares	0	0	0
International shares	0	0	0
Alternative assets	0	0	0
Infrastructure	0	0	0

### Investment returns<sup>1</sup>

	Accumulation account	QSuper Pension account
<b>Crediting rate (%)</b>		
12 months	3.74	4.38
3 years p.a.	3.90	4.54
5 years p.a.	3.89	4.50
10 years p.a.	4.25	4.99

<sup>1</sup> Past performance is not a reliable indicator of future performance.

# QSUPER INVESTMENT OPTIONS

## Your Choice options (continued)



### 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 capture the return of a broadly diversified portfolio of global fixed interest investments, after fees and tax.

#### Fees

##### Management fees for 2011/2012

Admin fee %	Investment fee %	Performance fee %	Total %
0.19	0.16	0.0	0.35

#### Risk

A negative return is expected less than one year in every 20 years.



#### Asset allocations

	Actual asset allocations (%) Year ended 30 June 2012	Actual asset allocations (%) Year ended 30 June 2011	Ranges (%)
Cash	0	0	0–10
Fixed interest <sup>1</sup>	100	100	90–100
Property	0	0	0
Australian shares	0	0	0
International shares	0	0	0
Alternative assets	0	0	0
Infrastructure	0	0	0

#### Investment returns<sup>2</sup>

	Accumulation account	QSuper Pension account
<b>Crediting rate (%)</b>		
12 months	7.83	9.23
3 years p.a.	10.27	10.09
5 years p.a.	7.96	8.03
10 years p.a.	n/a	n/a



### 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, hedged after fees and tax.

#### Fees

##### Management fees for 2011/2012

Admin fee %	Investment fee %	Performance fee %	Total %
0.19	0.09	0.0	0.28

#### Risk

A negative annual return is expected between four and six times in every 20 years.



#### Asset allocations

	Actual asset allocations (%) Year ended 30 June 2012	Actual asset allocations (%) Year ended 30 June 2011	Ranges (%)
Cash	2	2	0–10
Fixed interest	0	0	0
Property	0	0	0
Australian shares	0	0	0
International shares	98	98	90–100
Alternative assets	0	0	0
Infrastructure	0	0	0

#### Investment returns<sup>2</sup>

	Accumulation account	QSuper Pension account
<b>Crediting rate (%)</b>		
12 months	0.08	0.21
3 years p.a.	9.06	12.25
5 years p.a.	-3.65	-2.94
10 years p.a.	n/a	n/a



### 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 after fees and tax.

#### Fees

##### Management fees for 2011/2012

Admin fee %	Investment fee %	Performance fee %	Total %
0.19	0.09	0.0	0.28

#### Risk

A negative annual return is expected greater than six times every 20 years.



#### Asset allocations

	Actual asset allocations (%) Year ended 30 June 2012	Actual asset allocations (%) Year ended 30 June 2011	Ranges (%)
Cash	0	0	0–10
Fixed interest	0	0	0
Property	0	0	0
Australian shares	100	100	90–100
International shares	0	0	0
Alternative assets	0	0	0
Infrastructure	0	0	0

#### Investment returns<sup>2</sup>

	Accumulation account	QSuper Pension account
<b>Crediting rate (%)</b>		
12 months	-3.48	-3.76
3 years p.a.	6.60	7.06
5 years p.a.	-2.74	-2.88
10 years p.a.	n/a	n/a

# DEFINED BENEFIT ACCOUNTS

## About these accounts

The balance of a defined benefit account grows based on a formula. As a member with a defined benefit account, your benefit is generally affected by your years of service and salary, and may also depend on the level of contributions you choose to make.

Contributions are made by both you and your employer. Instead of making contributions into your individual account, your employer contributes to a pool of funds held by the Queensland Treasury Corporation on behalf of the State Government, which is used to pay the benefits of all defined benefit accounts as required. The amount your employer is required to contribute is calculated in accordance with an actuarial formula. QSuper, and the State Government as the employer sponsor of the fund, invest the employer money and the money members contribute with the objective of there being sufficient funds to pay all member benefits as needed.

Details of the defined benefit investment strategy, objectives and investment returns are reported to the right. As the calculation of your benefit is formula based, it's not directly affected by these returns.

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

## Investment objective

The investment objective for the Queensland Government's defined benefit pool of funds and the QSuper defined benefit pool of funds together is to have sufficient funds available to meet all obligations relating to member benefits as they fall due. The asset allocation, described in the table below, is designed to meet this objective.

Asset allocations			
	Ranges (%) from 30 June 2012	Actual allocations (%) at 30 June 2012 <sup>1</sup>	Actual allocations (%) at 30 June 2011 <sup>1</sup>
Cash	0 – 30	26	27
Fixed interest	0 – 25	4	10
Property	5 – 15	8	7
Australian shares	15 – 25	20	19
International shares	15 – 25	19	19
Alternative assets	0 – 25	15	10
Infrastructure	5 – 15	9	9

<sup>1</sup> These figures total 101% as numbers have been rounded for reporting purposes.

## 2011/2012 returns

The investment returns, which are shown below, are declared on an annual basis. The total funds held are used to meet the defined benefit obligations for the State, Police, Parliamentary and Defined Benefit accounts, but do not affect a members' overall entitlement. The returns are net of fees deducted for management, insurance and tax expenses. As part of our commitment to comprehensive reporting, these details are provided for the information of members.

Investment returns <sup>2</sup>						
	Defined Benefit	Parliamentary	State		Police	
	Crediting rate (%)	Crediting rate (%)	Resignation crediting rate (%)	Preservation crediting rate (%)	Resignation crediting rate (%)	Preservation crediting rate (%)
12 months	6.77	6.77	6.37	6.77	6.37	6.77
3 years p.a.	8.92	8.92	8.52	8.92	8.52	8.92
5 years p.a.	1.86	1.24	1.46	1.86	1.46	1.86
10 years p.a.	6.71	6.22	6.15	6.51	6.15	6.51

<sup>2</sup> These returns are for the 2011/2012 financial year and are compound annualised returns, net of fees and taxes. Past performance is not a reliable indicator of future performance.

As a member with a defined benefit account, your benefit is generally affected by your years of service and salary, and may also depend on the level of contribution you choose to make.



Hannah Carter  
member since 2010



# IMPORTANT INFORMATION

## Online Annual Report to Members

Commonwealth legislation enables us to provide this *Annual Report to Members 2012* electronically in an online format that can also be downloaded from our website at [qsuper.qld.gov.au/annualreport](http://qsuper.qld.gov.au/annualreport). Our decision to provide the document in this format reflects our commitment towards sustainable business practices and reducing costs.

You can however, request to receive a printed copy of this report by calling 1300 360 750.

## 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 from your entitlement when you claim a benefit from QSuper, or if you roll over to another complying superannuation fund. Any advance installments of surcharge will be drawn from your account or entitlement. To find out if you have a surcharge liability recorded for your account, please see your benefit statement.

## Enquiries and complaints

QSuper has procedures in place to ensure all enquiries and complaints are dealt with fairly and promptly.

If you have a complaint about QSuper, give us a call on 1300 360 750 (or +617 3239 1004 if calling from overseas). Alternatively, 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 is not resolved within 90 days, or if you are unsatisfied with our response, you can take the matter to the Superannuation Complaints Tribunal (SCT) – an independent body set up by the Commonwealth Government to assist members only after they have made use of their superannuation fund's internal complaints procedure. If you want to find out whether the SCT is able to deal with your complaint, you can contact them on 1300 884 114 or visit their website at [www.sct.gov.au](http://www.sct.gov.au).

## Q Invest ownership

On 1 July 2012, QSuper Limited purchased the QSuper Board of Trustees' shareholding of Q Invest, making QSuper Limited the sole shareholder. Q Invest remains a separate business, committed to providing quality advice to its clients. The businesses are integrating operations to help QSuper members, providing a better service experience and making financial advice more accessible.

## Service providers

### Administrator

QSuper Limited  
Central Plaza Three  
70 Eagle Street  
Brisbane QLD 4000

### Investment manager

QSuper Limited  
Central Plaza Three  
70 Eagle Street  
Brisbane QLD 4000

### Financial planning

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

### Internal auditor

Ernst & Young<sup>1</sup>  
Waterfront Place  
Level 5, 1 Eagle Street  
Brisbane QLD 4000

### External auditor

Queensland Audit Office  
Level 14, 53 Albert Street  
Brisbane QLD 4000

### Actuary

State Actuary  
Level 2, 33 Charlotte Street  
Brisbane QLD 4000

### Investment consultant

Towers Watson Australia Pty Ltd<sup>2</sup>  
Level 4, 1 Collins Street  
Melbourne VIC 3000

### External insurer

TAL Life Limited<sup>3</sup>  
Ground level, 80 Alfred Street  
Milsons Point NSW 2061

### Custodian<sup>4</sup>

National Australia Bank Asset Servicing<sup>5</sup>  
Level 12, 500 Bourke Street  
Melbourne VIC 3000

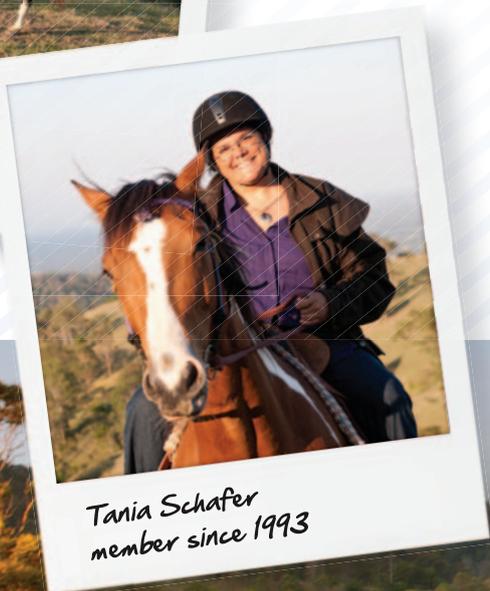
<sup>1</sup> Ernst & Young Australia (ABN 75 288 172 749).

<sup>2</sup> Towers Watson Australia Pty Ltd (ABN 45 002 415 349).

<sup>3</sup> TAL Life Limited (ABN 70 050 109 450, AFS licence 237848).

<sup>4</sup> More information about QSuper's change to the custodian is available on page 6 of this report.

<sup>5</sup> National Australia Bank Limited (ABN 12 004 044 937).



Tania Schafer  
member since 1993

# FINANCIAL STATEMENTS

The QSuper Fund's abridged financial statements are unaudited. The audited financial statements and auditor's report will be available on the QSuper website in December.

Statement of net assets as at 30 June 2012	30/06/12 \$'000	30/06/11 \$'000
<b>ASSETS</b>		
<b>Cash</b>	<b>44,783</b>	<b>73,430</b>
<b>Receivables</b>		
Contributions receivable	7,743	-
GST receivable	748	2,307
Sundry receivables and prepayments	3,333	540
	<b>11,824</b>	<b>2,847</b>
<b>Investments</b>		
Cash and short term deposits	712,858	1,793,795
Equities	14,184,489	12,397,566
Preference shares	15,315	16,461
Listed trusts	969,487	693,435
Derivative assets	7,644,417	8,382,092
Other interest bearing securities	8,084,940	9,197,496
Unlisted unit trusts	11,891,852	8,328,193
Unlisted partnerships	526,537	39,780
Investments in service providers	71,936	61,490
	<b>44,101,831</b>	<b>40,910,308</b>
<b>Tax assets</b>		
Deferred tax assets	99,585	219,241
<b>TOTAL ASSETS</b>	<b>44,258,023</b>	<b>41,205,826</b>
<b>LIABILITIES</b>		
<b>Payables</b>		
Benefits payable	10,440	14,267
Administration and investment management fees payable	24,850	15,738
Sundry payables	878	547
Derivative liabilities	7,509,237	8,306,958
Current tax liabilities	590,994	133,663
Provision for superannuation contributions surcharge	65,925	69,285
<b>TOTAL LIABILITIES</b>	<b>8,202,324</b>	<b>8,540,458</b>
<b>NET ASSETS AVAILABLE TO PAY BENEFITS</b>	<b>36,055,699</b>	<b>32,665,368</b>
<b>Represented by:</b>		
Reserves	377,502	611,750
Accumulated member funds	35,678,197	32,053,618
<b>NET ASSETS AVAILABLE TO PAY BENEFITS</b>	<b>36,055,699</b>	<b>32,665,368</b>

Statement of changes in net assets for the year ended 30 June 2012	30/06/12 \$'000	30/06/11 \$'000
<b>NET ASSETS AVAILABLE TO PAY BENEFITS at the beginning of the financial year</b>	<b>32,665,368</b>	<b>27,904,234</b>
<b>Investment revenue</b>		
Distributions / Dividends	1,029,692	1,647,361
Change in net market value of investments	835,695	1,580,378
Interest revenue	2,219	2,399
	<b>1,867,606</b>	<b>3,230,138</b>
<b>Contribution revenue</b>		
Employer contributions	4,427,579	3,231,658
Member contributions	796,272	882,694
Transfers from other funds	568,735	513,033
	<b>5,792,586</b>	<b>4,627,385</b>
<b>Other revenue</b>		
Insurance recoveries	292	436
Sundry revenue	1,512	1,847
	<b>1,804</b>	<b>2,283</b>
<b>Total revenue</b>	<b>7,661,996</b>	<b>7,859,806</b>
<b>Less:</b>		
<b>Benefits paid</b>	<b>2,654,093</b>	<b>2,199,354</b>
<b>Direct investment expenses</b>	<b>93,728</b>	<b>87,308</b>
<b>General administration expenses</b>		
Administration fee	81,892	75,803
Strategic and change initiative fee	18,572	8,104
Other fees	3,245	1,958
Financial planning fee	16,002	14,667
Superannuation contributions surcharge	3,605	3,562
Insurance premiums	5,982	4,909
	<b>129,298</b>	<b>109,003</b>
<b>Total expenses</b>	<b>2,877,119</b>	<b>2,395,665</b>
<b>TOTAL CHANGE IN NET ASSETS BEFORE INCOME TAX</b>	<b>4,784,877</b>	<b>5,464,141</b>
Income tax expense	1,394,546	703,007
<b>TOTAL CHANGE IN NET ASSETS AFTER INCOME TAX</b>	<b>3,390,331</b>	<b>4,761,134</b>
<b>NET ASSETS AVAILABLE TO PAY BENEFITS at the end of the financial year</b>	<b>36,055,699</b>	<b>32,665,368</b>



#### **Contact 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 AEST  
GPO Box 200  
Brisbane Qld 4001

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

**Superannuation product identification number (SPIN)**

- Accumulation account: QSU0101AU
  - Defined Benefit account: QSU0102AU
- Superannuation fund number (SFN): 2610 419 41  
Board of Trustees of the State Public Sector Superannuation  
Scheme (QSuper Board): ABN 32 125 059 006  
State Public Sector Superannuation Scheme: ABN 60 905 115 063