

## **2002–2003**

Annual report of the QSuper Board of Trustees  
and the Government Superannuation Office



The Honourable Terry Mackenroth MP  
Deputy Premier, Treasurer and Minister for Sport  
Level 9 Executive Building  
100 George Street  
BRISBANE QLD 4000

31 October 2003

Dear Mr Mackenroth

On behalf of the QSuper Board of Trustees and the Fund administrator, the Government Superannuation Office, we have pleasure in submitting an annual report for the 12 months ending 30 June 2003.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Gerard Bradley'.

**Gerard Bradley**  
UNDER TREASURER, CHAIRMAN,  
QSUPER BOARD OF TRUSTEES

A handwritten signature in blue ink, appearing to read 'Rosemary Vilgan'.

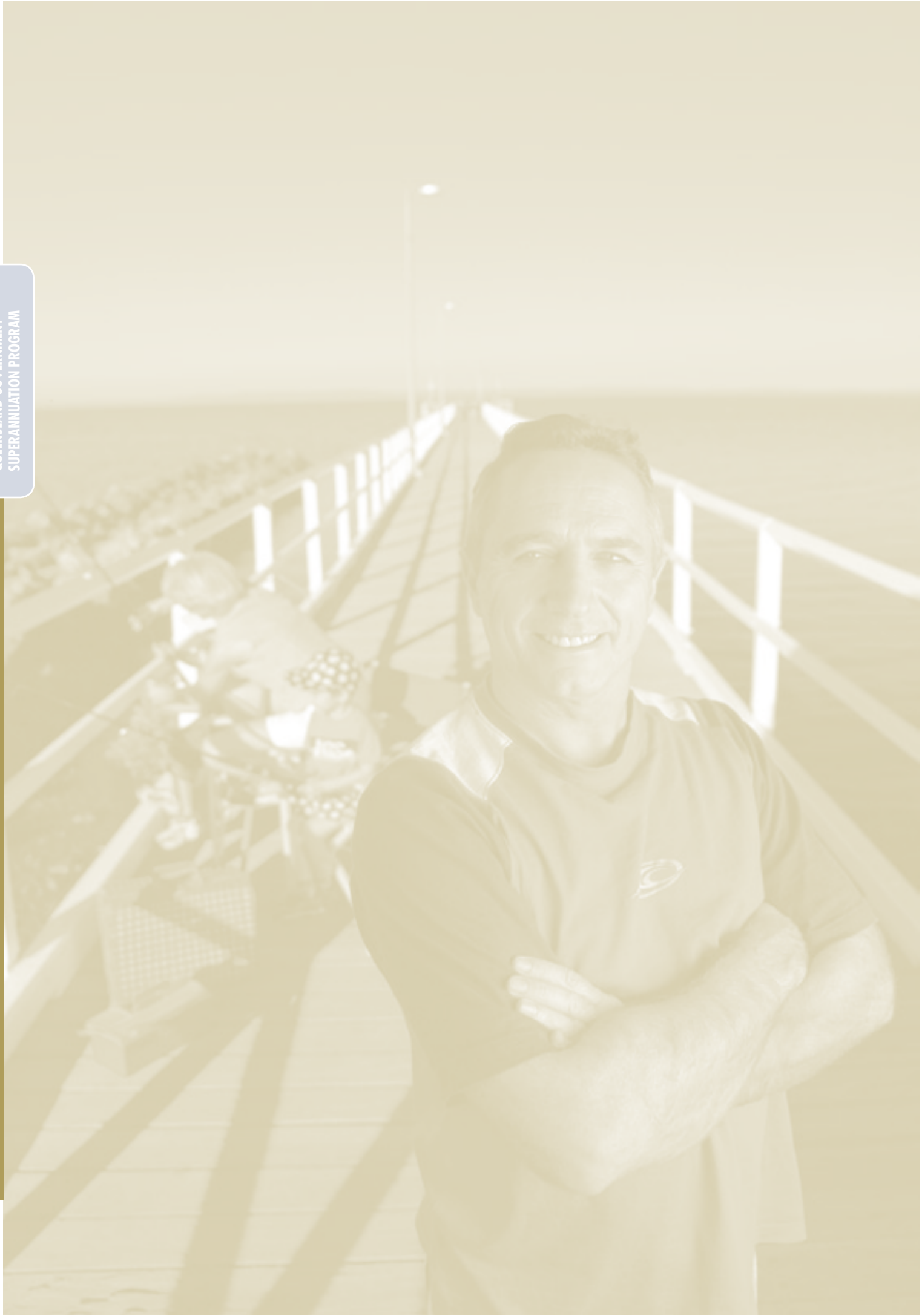
**Rosemary Vilgan**  
CHIEF EXECUTIVE OFFICER,  
GOVERNMENT SUPERANNUATION OFFICE

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This annual report contains images of some of QSuper's 400,000 members doing *what's important to them*. As members of one of Australia's largest super funds, they can relax in the knowledge QSuper will be there to help finance their future, leaving them to concentrate on the passions and pursuits that are most important in their lives.





# Queensland Government superannuation program

The Queensland Government provides valuable superannuation coverage to its employees, offering generous employer contributions and flexible options to help members in meeting their retirement income needs. Importantly, the Queensland Government fully funds the superannuation benefits for its employees, which gives long-term security of members' benefits. Through the QSuper Board of Trustees, superannuation for Queensland public sector employees is managed as a partnership between employers and unions.

Superannuation is a valued component of the remuneration package offered to Queensland public sector employees. Employees can make personal contributions of between 2% and 5% of their salary, while their employer contributes between 9.75% and 12.75% on their behalf. QSuper members can build their retirement benefit in either a Defined Benefit account or an Accumulation account, and are provided with a comprehensive range of insurance benefits at low premiums. After leaving Queensland Government employment, members can continue their relationship with QSuper through flexible retirement products.

## QSuper Fund

QSuper is a leading fund within the Australian superannuation industry, providing flexible and cost-effective products and services to its members. The QSuper Board of Trustees designs and monitors these products and services for members, and ensures the prudent management of the Fund's investments. The Board is committed to providing quality products and services, helping Queensland public sector employees in the achievement of their retirement income goals.

QSuper faces some important challenges in the coming years. The Fund continues to grow, which, together with increasing member interest, is contributing to greater demand for service delivery. Ultimately, QSuper exists for its members, and must remain committed to providing quality service and benefit outcomes. To remain an industry leader, the Fund must be innovative in the way it interacts with members and manages its business. It is important for QSuper to repay members' trust by ensuring consistent and reliable service delivery. Ultimately, these challenges must be met by professional staff who are committed to the membership of the Fund.

The Treasurer is responsible for the superannuation arrangements of the Queensland public sector. As a portfolio office of Queensland Treasury, the Government Superannuation Office (GSO) administers the major Fund, QSuper, for its Board of Trustees.

## The GSO administers:

- the QSuper Fund (State Public Sector Superannuation Fund);
- the Parliamentary Contributory Superannuation Fund;
- long service leave entitlements; and
- the pension schemes for Queensland Judges and the Governor.



## Commonwealth Government interaction

The Commonwealth Government has classified the Queensland Government's superannuation funds as "exempt public sector superannuation schemes" under the *Superannuation Industry (Supervision) Act 1993*. This exemption recognises the unusual position of the States and Territories, which operate superannuation schemes under their own legislation. While the Queensland Government superannuation funds are technically exempt from the Commonwealth legislation, compliance with the Commonwealth Government retirement income policies is maintained by means of a Heads of Government Agreement.

## Government Superannuation Office

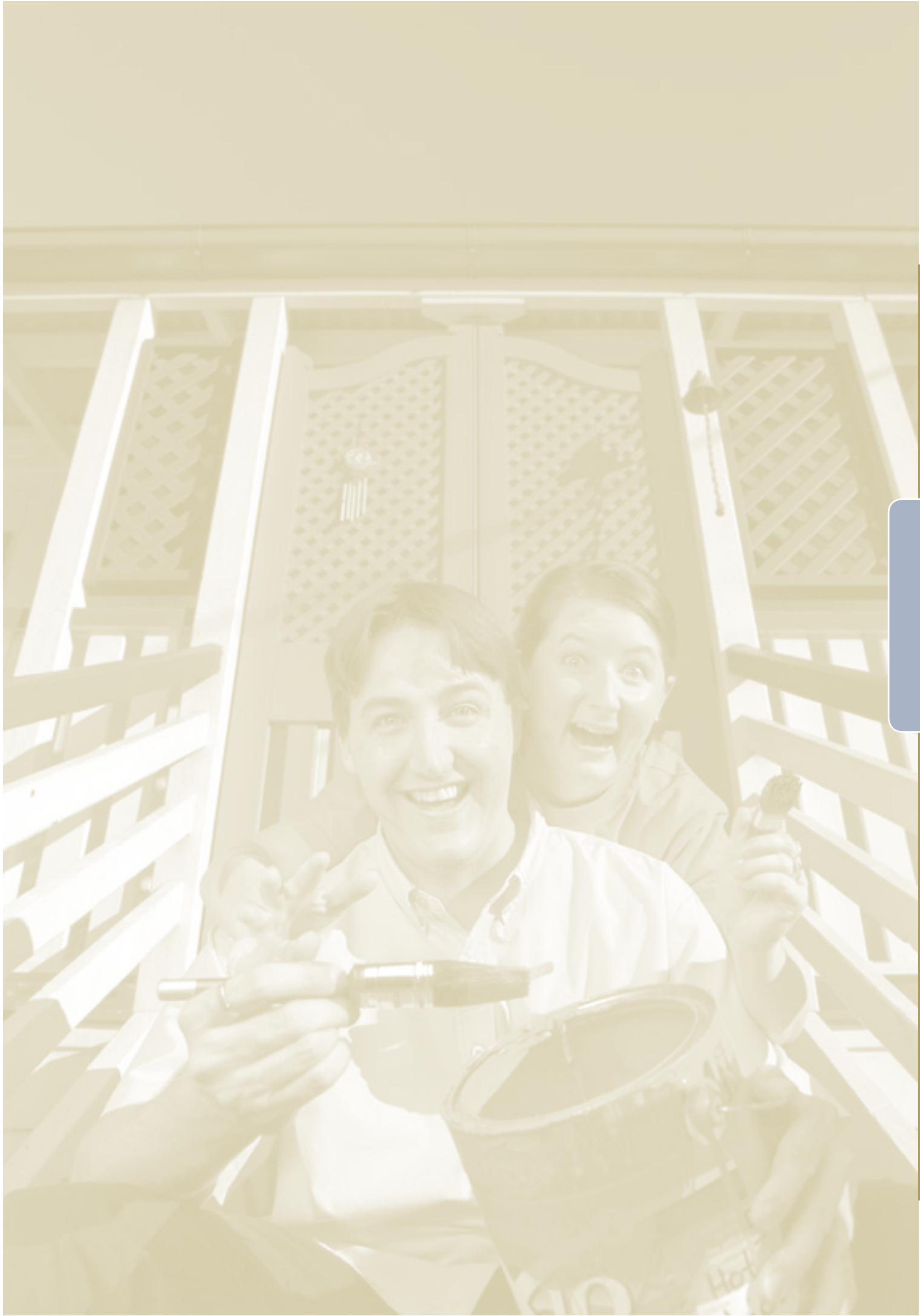
As part of Queensland Treasury's portfolio, the Government Superannuation Office (GSO) manages the Queensland Government's employee superannuation program. The Office undertakes this role through the provision of administration and associated services, and policy advice relating to regulatory frameworks and superannuation legislation. The GSO's role also includes the management of superannuation arrangements for employees of autonomous Queensland Government entities, such as statutory authorities and government owned enterprises.

## Funding position

The Queensland Government's policy is to fund its superannuation liabilities as they occur. Both member and employer contributions for QSuper Accumulation accounts are paid directly into the QSuper Fund. For QSuper defined benefit style accounts, funding arrangements are undertaken on a 'split-funding basis'. Member contributions are held in trust funds, while a reserve is maintained in the Consolidated Fund to meet the employers' portion of the defined benefit liability. The employers' share is transferred to the QSuper Fund when a benefit is due to be paid.

QSuper's latest actuarial report was delivered on 18 September 2002, based on the Fund's position as at 30 June 2001. After providing for the new superannuation arrangements that were introduced in 2001, and taking into account the challenging investment environment of 2002, the QSuper Fund was sound with a surplus of assets over liabilities above 5%. The next actuarial review for QSuper will be based on the Fund's position at 30 June 2004.






# QSuper Board of Trustees

## 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 — Tam Jeffers)  
Meeting attendance: 8



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

## Constitution

The QSuper Board is constituted under the *Superannuation (State Public Sector) Act 1990* (the 'Act') and is officially known as the 'Board of Trustees of the State Public Sector Superannuation Fund' (the Board).

The Act requires equal member and employer representation on the Board with the Under Treasurer being, ex-officio, Chairman.

## Trustee appointments

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

This year, Helen Ringrose, Terri Hamilton, Chris Barrett, Steve Ryan, and Gary Wilkinson were re-appointed to the Board. They are to be congratulated on their re-appointment and for the significant service they, and their deputies, have given to the members of QSuper, employers, and other stakeholders.





# QSuper Board of Trustees' report

The past year has been a challenging one, characterised by global unrest and a difficult investment environment, with Australian superannuation funds, including QSuper, producing subdued returns. Although the year was a disappointing one in terms of returns, when considering the performance of QSuper's investments, the Board of Trustees remains focused on the long-term nature of superannuation.

Investing to maximise long-term returns does mean that in the short term, returns can be quite volatile. This is demonstrated by the fact that in 1997 the Fund reported returns of almost 20%. The Board is confident that, with the advice of QIC, it has taken the best possible strategic investment position to take full advantage of future rebounding markets and maximise returns to members over the longer term. This view is now being realised with the pleasing investment performance experienced in the early months of the 2003/2004 year.

Over the past year, the Board has continued to review each of the major asset classes and worked with QIC to consider other opportunities to obtain sources of additional return. An outcome of this review was the introduction of external investment managers within the Australian equities asset class, to enhance diversification and obtain specialisation benefits. Further, changes to the cash and fixed interest asset classes are scheduled to be implemented in November 2003.

In conjunction with the GSO, the Board has also developed a long-term service strategy, setting out a 5 year blueprint for service delivery that considers all mediums in which members contact the Fund. Service enhancements under development include the ability for members to access individual account and fund information over the QSuper website, with future plans to make this information available over the phone.

## QSuper product options

In seeking to deliver valued products and services to members, the QSuper Board aims to provide these at a lower cost than members can achieve elsewhere.

The QSuper Board of Trustees oversees the Fund, which provides members with a comprehensive range of products and services. QSuper's product options include:

- choice between a Defined Benefit account, or an Accumulation account with four investment options;
- flexible death and disability insurance and income protection, at a low cost;
- the ability to make voluntary contributions or roll in other superannuation monies;
- salary sacrifice facilities for standard and voluntary superannuation contributions; and
- the ability to open a QSuper account for a spouse.



# QSuper Board of Trustees' report

## QSuper service delivery

QSuper offers a range of service delivery channels for members to receive information about the Fund, their benefit options, and superannuation accounts.

QSuper provides a full range of seminars across the State and access to personal financial planning advice for members' retirement needs through Q•Invest Limited.

QSuper has highly trained Contact Centre staff for telephone and written enquiries, and a customer service area for members seeking face to face service. The Fund maintains a website, which provides members with online access to their account information. Members can also access a range of tools such as workbooks and calculators to help them in making appropriate decisions regarding the choices available to them.

The Board provides all of these services, while maintaining costs to members at levels which are among the lowest of superannuation funds in Australia and internationally.

## During the year, Q•Invest provided:

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

## Balanced with Reserves closure

In April this year, members with money invested in the Balanced with Reserves investment option were advised of its impending closure. 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 was reported to members last year, the investment reserve was fully depleted due to the prolonged market downturn. The earnings of the Balanced with Reserves product were, therefore, following 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, which was finalised in May 2003.

## Q•Invest Limited

As a joint owner, QSuper has maintained its commitment and enhanced its relationship with Q•Invest. This service has been increasingly important to members over the past year.

With the prolonged negative investment market returns, QSuper members have valued the opportunity to talk to a financial planner about their concerns and take comfort from being informed, and in control, of their investments.

Q•Invest continues to provide quality financial planning services to QSuper members through experienced financial planning professionals. The Board will continue to work with Q•Invest to develop products and services to meet member needs.



# QSuper Board of Trustees' report

## Governance

The QSuper Board of Trustees meets on a monthly basis, with 12 meetings being held during the 2002/2003 financial year. In addition, the Board undertakes an annual retreat in August of each year to review the Fund's performance, consider strategic issues, and conduct business planning.

### Committees

Some of the more detailed matters requiring the Board's attention are initially reviewed by specific purpose committees. Each committee has Trustee representation and is able to review issues and make recommendations to the Board. However, the committees are not authorised to make decisions on the Board's behalf. The table below details the committees formed to help the QSuper Board:

Figure 1.

### QSuper Board committees

	MARKETING AND COMMUNICATION	FUND CONDITIONS	INSURANCE MANAGEMENT	AUDIT AND COMPLIANCE
<b>RESPONSIBILITIES</b>	The Committee reviews marketing strategies and time frames for strategy implementation, and reviews Fund marketing documents as requested by the Board.	The Fund Conditions Committee meets as required, to review and develop Fund conditions, and investigate and initiate the development of products and services to meet members' needs.	The Insurance Management Committee was established in February 2003, to oversee the Fund's insured products, and to consider new initiatives and the strategic direction of claims management.	A collaboration between the Board and GSO, the Committee helps the Board of Trustees and the Under Treasurer in fulfilling their accounting, financial, and legislative compliance responsibilities.
<b>TRUSTEE REPRESENTATION</b>	Steve Ryan (Chair) Terri Hamilton Merv Bainbridge (Deputy Trustee)	Karen Peut (Chair) Helen Ringrose Steve Ryan	Chris Barrett (Chair) Gary Ryan Tony Hawkins	Tony Hawkins (Chair) Tim Spencer (Deputy Trustee)
<b>MEETINGS HELD 2002/2003</b>	One meeting. Two other committee deliberations, with recommendations made to the Board.	Did not meet.	Two meetings.	Five meetings.

The Board's Investment Committee also met on three occasions in the early part of the year. In October 2002, this Committee's functions and activities were absorbed into the Board's formal agenda.



# QSuper Board of Trustees' report

## Risk Management, Compliance, and Audit

The GSO has developed a comprehensive Risk Management Program, to monitor risks relating to the Fund, its operations, and the GSO. The Risk Management Program consists of three review systems:

- GSO Internal Risk Management Program;
- Compliance Management Program; and
- Internal Audit Program.

This program provides a disciplined and formalised risk assessment for all parts of the Fund's operations. A report on the Risk Management Program is regularly presented to the GSO Executive Management Group, the Audit and Compliance Committee, and the QSuper Board of Trustees.

During 2002/2003, the Fund's internal auditors, KPMG, conducted reviews of significant Fund operations including the production of member annual benefit statements, contributions processing, information systems, and taxation. In all cases, the Fund's operations were considered to exhibit good, or very good, practice.

## Acknowledgements

The QSuper Board would like to express its appreciation for the support of its major service providers: the GSO, QIC, Q\*Invest Limited, and the State Actuary.

The Board also appreciates the valuable assistance provided by the Auditor-General of Queensland (Auditor) and KPMG (Internal Auditor).



# QSuper at a glance

## Options available for QSuper members

The following chart highlights the QSuper product choice available to members throughout their lifetime. The QSuper Board of Trustees is committed to meeting members' differing needs, by offering a comprehensive range of products and services at a low cost, with flexible options available to members from the moment they join the Fund.

QSuper members can choose between an Accumulation or a Defined Benefit account. As a result of the changed superannuation arrangements for the core Government sector, introduced in 2000, membership growth has focussed on the Accumulation account as the default option.

Figure 2.

### QSuper member options

<b>CONTRIBUTIONS</b>	Member Employer Salary sacrifice Spouse
<b>BENEFIT TYPE</b>	Defined Benefit Accumulation Allocated Pension
<b>INVESTMENT OPTIONS</b>	Cash Cash Plus Balanced High Growth
<b>INSURANCE</b>	Income protection Total and permanent disability coverage Death coverage

## Membership

The total number of QSuper members at 30 June 2003 was 403,676, an increase of 5.3% from the number reported at 30 June 2002. The number of individual accounts held by members as at 30 June 2003 was:

<b>Accumulation account</b>	<b>345,595</b>
<b>Defined Benefit account</b>	<b>158,191</b>
<b>State and Police accounts</b>	<b>2,322</b>
<b>Allocated Pension account</b>	<b>3,570</b>

Note: members can hold more than one QSuper account.



## QSuper at a glance

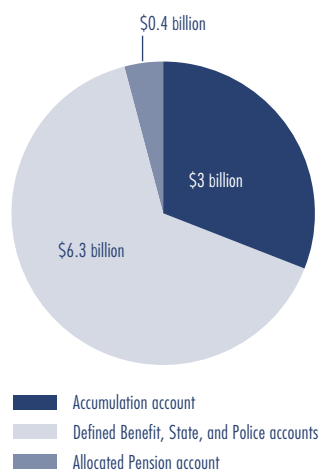


Figure 3.

### Composition of QSuper asset balance.

### Asset balance

At 30 June 2003, QSuper's investments totalled \$9.7 billion, representing an increase of 2.6% over the Fund balance as at 30 June 2002.

### Benefit options

New employees of 'core' Queensland Government agencies start their QSuper membership with an Accumulation account. Permanent or temporary employees (excluding casuals) then have the option to transfer to a Defined Benefit account if they wish.

Employees who have finished employment with a Queensland Government agency can remain a QSuper member, with many using QSuper for their retirement needs.

Agencies that are part of QSuper, but outside of the core Government (e.g. statutory authorities), can choose the superannuation account type for their employees.

Figure 4.

### QSuper contribution rates

CONTRIBUTIONS (DEPENDING ON ELIGIBILITY)		
Defined Benefit account		
Member pays	Employer pays	Multiple growth each year
2%	9.75%	.135
3%	10.75%	.160
4%	11.75%	.185
5% (standard rate)	12.75%	.210
Accumulation account		
0%	9%*	Member accounts grow with earnings under their chosen investment option/s
2%	9.75%	
3%	10.75%	
4%	11.75%	
5% (standard rate)	12.75%	
*Increased from 8% to 9% from 1 July 2002.		

# QSuper at a glance

## Investment choice

QSuper members with Accumulation and Allocated Pension accounts are able to choose one or more options to tailor their investments according to their individual needs:

<b>Cash</b>	<b>100% cash and fixed interest</b>
<b>Cash Plus</b>	<b>62.5% cash and fixed interest</b>
	<b>37.5% shares and property</b>
<b>Balanced</b>	<b>75% shares and property</b>
	<b>25% cash and fixed interest</b>
<b>High Growth</b>	<b>100% shares</b>

Figure 5.

### QSuper crediting rates.

CREDITING RATES FOR THE YEAR ENDING 30 JUNE 2003		
ACCUMULATION ACCOUNT	Cash	3.87%
	Cash Plus	1.21%
	Balanced	-1.91%
	High Growth	-3.44%
ALLOCATED PENSION ACCOUNT	Cash	4.62%
	Cash Plus	1.50%
	Balanced	-2.11%
	High Growth	-3.94%



# QSuper at a glance

## Fees

Fees for Accumulation and Allocated Pension accounts are charged on a ‘percentage of assets’ basis. For the 2002/2003 year, QSuper’s management fee again remained at 0.35% of a member’s account balance. This fee incorporates all administration fees and an investment management fee. Depending on a member’s investment option, other charges, such as brokerage, stamp duty, audit fees, custodian, and external manager fees are deducted by QIC before QSuper receives its earnings.

Different investment products disclose their fees in different ways. Some disclose fees as a management expense ratio (MER), which groups together all fees and charges and allows comparison between products. MERs include administration costs and the investment transaction costs mentioned above. The following table lists the total fees for QSuper’s investment products on an MER basis:

Figure 6.

**QSuper fees**

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

QSuper Accumulation and Allocated Pension accounts are updated daily on the basis of unit price valuations. It is important to recognise the returns QSuper members receive are determined after the deduction of management fees, external costs, and a taxation provision. This means QSuper’s returns are always net of fees.

QSuper’s fee is among the lowest of Australian superannuation funds, and is particularly attractive in the recent period of low investment returns. Further, QSuper members pay no entry fees, no exit fees, and no commissions.





## QSuper at a glance

### Insurance

QSuper provides members with a comprehensive range of insurance coverage for death and disability. Unless there are special arrangements in force, members who are currently employed by the Queensland Government are automatically provided with standard insurance cover for death and permanent disability, and can increase their level of cover if desired. Members who make personal standard contributions are also provided with income protection insurance.

### Member complaints

The Superannuation Complaints Tribunal (SCT) reviews decisions made by superannuation fund trustees. While it is not required to do so, in the interest of members, the QSuper Board of Trustees allows its decisions to be subject to review by the Tribunal. During the past year, 14 appeals were lodged with the SCT, with the Tribunal affirming the QSuper Board's decision as being fair and reasonable in six cases. Four appeals were resolved in the member's favour. There are 16 appeals yet to be resolved by the Tribunal, with some relating to the previous financial year.



## QSuper account summary

Figure 7.

### QSuper account summary

ACCOUNT	ACCUMULATION ACCOUNT	DEFINED BENEFIT ACCOUNT
<b>MEMBERSHIP</b>	Automatic entry for employees of all core Queensland public sector agencies, and also to non-core agencies by individual employer arrangement. After finishing Queensland Government employment, members can use this account as a lump sum rollover facility to manage their retirement.	Available as an option to temporary and permanent employees of all core Queensland public sector agencies, and also to non-core agencies by individual employer arrangement.
<b>MEMBER CONTRIBUTIONS</b>	Since 1 May 2000, new core Government permanent and temporary employees must contribute between 2% and 5% (Police 3% to 6%). Members can make additional voluntary contributions.	Between 2% and 5% (3% to 6% for Police). If contributions of less than 5% are paid, members are able to 'catch up' contributions in the future. Members can make additional voluntary contributions.
<b>EMPLOYER CONTRIBUTIONS</b>	For contributing members, employers match member contributions plus 7.75% (e.g. 12.75% for standard members contributing 5%). Superannuation guarantee (SG) minimum of 9% paid for non-contributing members.	Actuarially determined, to ensure the Fund can pay guaranteed benefits. Currently 12.75% paid by employers for standard members contributing 5%.
<b>ACCOUNT FEATURES</b>	Fully vested and portable accumulation benefits. Choice of four investment options. Insured benefits for death, and permanent and temporary disability.	Fully vested benefits on retirement, resignation, retrenchment, death, and permanent and temporary disability. Lump sum benefits are guaranteed, based on a multiple of salary.
<b>MEMBERSHIP</b>	345,595	158,191
<b>INCOME</b>	\$1,248,067,000	\$579,223,000
<b>EXPENDITURE</b>	\$675,418,000	\$741,540,000
<b>BALANCE OF ACCOUNTS</b>	\$4,468,483,000*	\$6,311,163,000
<b>CREDITING RATE</b>	Cash 3.87% Cash Plus 1.21% Balanced -1.91% High Growth -3.44%	Defined Benefit 0.00%
<b>MANAGEMENT FEE</b>	0.35% of account balance (includes administration and an investment management fee).	0.35% of total funds invested (includes administration and an investment management fee).

\*These amounts include some reserves held in the Consolidated Fund.



## QSuper account summary

ACCOUNT	STATE AND POLICE ACCOUNTS (Defined Benefit accounts closed to new members)	ALLOCATED PENSION ACCOUNT
<b>MEMBERSHIP</b>	Members of State Super and Police Super schemes who elected to remain in these closed categories.	Provided to all QSuper members as an allocated pension rollover facility for benefits emerging from the various accounts.
<b>MEMBER CONTRIBUTIONS</b>	Between 2% and 5% (7% for Police account), varying according to the member's age.	Minimum deposit is \$30,000. Members can make additional voluntary contributions.
<b>EMPLOYER CONTRIBUTIONS</b>	Actuarially determined, to ensure the Fund can pay guaranteed benefits.	N/A
<b>ACCOUNT FEATURES</b>	Fully vested benefits on retirement, including salary linked pension. Death and disability cover.	Choice of four investment options. No entry or exit fees.
<b>MEMBERSHIP</b>	2,322	3,570
<b>INCOME</b>	Included in Defined Benefit account	\$152,247,000
<b>EXPENDITURE</b>	Included in Defined Benefit account	\$79,944,000
<b>BALANCE OF ACCOUNTS</b>	Included in Defined Benefit account	\$564,790,000*
<b>CREDITING RATE</b>	State: R 0.00% P 0.00% Police: R 0.00% P 0.00%	Cash 4.62% Cash Plus 1.50% Balanced -2.11% High Growth -3.94%
<b>MANAGEMENT FEE</b>	0.35% of total funds invested (includes administration and an investment management fee).	0.35% of account balance (includes administration and an investment management fee).

\*These amounts include some reserves held in the Consolidated Fund.

R = Resignation P = Preserved





## QSuper Accumulation account

QSuper's Accumulation account caters for members during and after their employment with the Queensland Government. After finishing employment, members can continue their relationship with QSuper by placing their money in a QSuper Accumulation account, or establishing an income stream through a QSuper Allocated Pension account.

QSuper members can also cater for their spouse's retirement needs by opening an Accumulation account and making contributions on their behalf. A total of 1,536 accounts were opened for spouses in 2002/2003. Spouse contributions are treated as preserved benefits and must remain in a superannuation fund, generally until the spouse's preservation age is reached. All members are able to use a QSuper Accumulation account as a lump-sum rollover vehicle to consolidate their retirement savings.

### Year in review

Overall, membership of the Accumulation account grew to 345,595 by 30 June 2003, an increase of 7.5% over the number of members holding accumulation style accounts at the same time in the previous year. At 30 June 2003, the number of employed members with an Accumulation account reached 124,612, of which 70,251 members made standard contributions. Members with preserved Accumulation accounts totalled 220,983.

During 2002/2003, a total of 50,098 new members opened an Accumulation account, resulting in a net growth of 24,063 members (after allowing for exited members). By comparison, there were 45,259 new members and a net membership growth of 32,575 in the previous financial year. In 2002/2003, 484 employed members with Accumulation accounts elected to transfer to Defined Benefit accounts, while 129 employed members transferred from a Defined Benefit account to an Accumulation account. A total of 21,498 members consolidated their external superannuation monies into their QSuper account.

In 2000, QSuper rationalised its account structure, investment options, and fees. This change simplified QSuper's product offering, grouping together all accumulation style accounts. Since 1 May 2000, all new QSuper members (in core Government departments) have been provided with an Accumulation account. As a consequence of these default arrangements, QSuper Accumulation accounts have grown significantly in terms of membership numbers and funds invested.

- ☑ Total individual accounts at 30 June 2003 were 345,595
- ☑ Net membership growth of 32,575
- ☑ In total, 1,536 spouse accounts were opened



## QSuper Accumulation account

### Financial highlights

Investment income for the year amounted to \$217.4 million. Contribution income from employers and members (including standard, voluntary, and spouse contributions), together with transfers from other QSuper accounts and external funds totalled \$1.46 billion. For the 2002/2003 financial year, total income for Accumulation accounts, including some miscellaneous items, totalled \$1.248 billion.

Expenditure for the year totalled \$675.4 million, which includes benefit payments, account transfers, and taxation.

The net balance of Accumulation accounts was \$4.5 billion as at 30 June 2003, including reserves.

This represents a growth of 14.7% over the balance from the previous year.

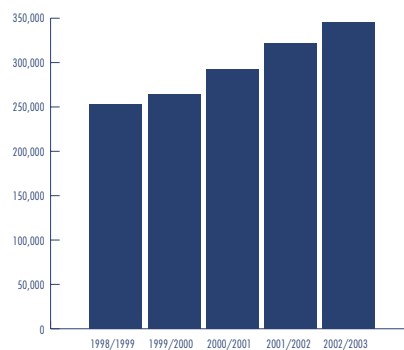
- ☑ Income totalled \$1.248 billion
- ☑ The net account balance was \$4.5 billion
- ☑ A total of 25,600 payments were processed
- ☑ Employer contributions of up to 12.75%

QSuper's voluntary contribution facility continues to be popular with members. A total of 23,291 members made a voluntary contribution to their account during the year, with 5,578 doing so for the first time.

Members holding death and permanent disability insurance grew to 101,663 by 30 June 2003. Income protection coverage for members with Accumulation accounts more than doubled through the year to total 61,979 at 30 June 2003, or 50% of employed members. During 2002/2003, 464 members with Accumulation accounts claimed an income protection benefit. Benefit payments for the 2002/2003 were 25,600, compared with 28,202 for the previous financial year.

Figure 8.

### Membership growth



### Contributions

Since 1 May 2000, all new temporary and permanent employees of core Queensland Government agencies have personally contributed to their Accumulation account. Member contributions are between 2% and 5% of salary, attracting an increased employer contribution of up to 12.75% of their salary. For contributing members, employers match member contributions and pay an additional 7.75% (e.g. 12.75% for standard members contributing 5%).

For non-contributing members, employers pay the superannuation guarantee minimum of 9% (from 1 July 2002). Employees in casual employment have the 9% contribution paid to their Accumulation account and may be eligible to participate in the contributory accumulation option to gain additional employer contributions.



# QSuper Accumulation account

## Investment

From 1 July 2000, the Board introduced wider investment choice arrangements for all members with an Accumulation account. Members can tailor their investment strategy to suit their individual needs, by choosing one or more of QSuper's four investment options:

- ☑ Four investment options
- ☑ Balanced option is the default investment strategy

<b>Cash</b>	<b>100% cash and fixed interest</b>
<b>Cash Plus</b>	<b>62.5% cash and fixed interest</b>
	<b>37.5% shares and property</b>
<b>Balanced</b>	<b>75% shares and property</b>
	<b>25% cash and fixed interest</b>
<b>High Growth</b>	<b>100% shares</b>

(Note: The Fund's Balanced with Reserves investment option was closed in May 2003).

The default investment strategy for members with Accumulation accounts is the Balanced option. The QSuper Board of Trustees has set an investment objective for the Balanced option "to credit members' accounts, over 5 year periods, with an average return of Cash, plus 2% p.a., after administration fees but before tax". The 2002/2003 Accumulation account crediting rate for members invested in the Balanced option was -1.91%.

Members are able to change their investment option up to four times a year. The first switch is free and additional switches may incur a cost of \$25 each.



## QSuper Accumulation account

### Fees

Accumulation account fees are charged on a 'percentage of assets' basis. QSuper's management fee for the 2002/2003 financial year remained at 0.35% of a member's account balance, which is among the lowest of superannuation funds in Australia and particularly attractive in the recent environment of low investment returns. Depending on a member's investment option, other charges such as brokerage, stamp duty, custodian, and external manager fees are deducted by QIC before QSuper receives its earnings.

### Benefit structure

#### Retirement benefit

A retirement benefit is available when the member retires after their preservation age and is the balance in their account at that time.

#### Resignation benefit

On resignation, all or part of a member's account must be preserved until retirement after their preservation age, death, disability, or on financial hardship or compassionate grounds. The amount of benefit is equal to the balance of the account.

Figure 9.

#### Death and disability coverage

AGE	BENEFIT PER UNIT OF INSURANCE \$
35	50,000
40	36,000
45	24,000
50	15,000
55	7,500
60	0

#### Death and disability benefits

Accumulation account membership provides insured benefits for death and total and permanent disability for most employees of the public sector, at levels of cover similar to those of Defined Benefit accounts. Members are also able to purchase additional voluntary insurance coverage for death and total and permanent disability.

An income protection benefit is available to most Queensland public sector employees who contribute to an Accumulation account. Coverage provides members with a regular payment equivalent to 75% of their salary, if the member is on continuous sick leave without pay for more than 2 weeks. The benefit is payable for up to 2 years, during which QSuper pays the member and employer contributions. The cost of income protection depends on the member's age.





## QSuper Defined Benefit account

A QSuper Defined Benefit account provides a comprehensive range of superannuation benefits for Queensland Public Sector employees. Introduced in their current form in 1990, Defined Benefit accounts provide accrued and insured benefits based on a member's salary, contribution rate, and length of membership. Members are able to improve their final benefit by making voluntary contributions to a QSuper Accumulation account.

A Defined Benefit account provides a standard level of death, permanent disability, and income protection benefits. Members can elect to increase their level of death and permanent disability insurance through optional extra insurance.

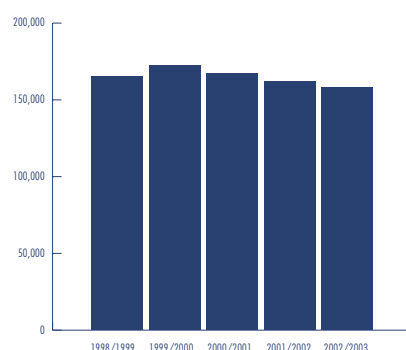
Upon leaving Queensland Government employment, members are able to continue their relationship with QSuper by investing in the Fund's rollover and allocated pension products.

### Year in review

Since 1 May 2000, all new core employees of the Queensland public sector have joined QSuper with an Accumulation account. Both new and existing members have the option of transferring to a Defined Benefit account, at any time. Over the past year, the number of Defined Benefit accounts declined by 3,562 to total 158,191 at 30 June 2003. This decline compares with the net decrease of 5,369 members in the previous year, and is reflective of new members defaulting to QSuper's Accumulation account.

Figure 10.

### Membership growth



Members with Defined Benefit accounts can transfer to an Accumulation account if they prefer to have investment choice for their retirement savings. These members can elect to either retain their accrued defined benefit (which is then indexed with average wages growth to age 55), or transfer the 'present day' value of their Defined Benefit account to their Accumulation account, where it will grow with investment earnings. Conversely, permanently employed members with an Accumulation account can elect to transfer to a Defined Benefit account.

- ☒ Comprehensive package of benefits
- ☒ Total accounts at 30 June 2003 were 158,191
- ☒ In total 28,095 members made voluntary contributions

## QSuper Defined Benefit account

### Financial highlights

(includes activity for the State and Police accounts)

During the 2002/2003 financial year, investment income amounted to -\$101.9 million. Contribution income from employers and members (including standard, voluntary, and spouse contributions), together with transfers from other QSuper accounts and external funds, totalled \$680.5 million. For the past year, total income for Defined Benefit accounts, including some miscellaneous items, totalled \$579.2 million.

Expenditure totalled \$741.5 million for the year, which included administration costs, benefit payments, transfers to other superannuation funds and QSuper accounts, and taxation. Due to the defined benefit nature of these accounts, administration costs are actuarially factored into employer contribution rates, and are not directly charged to member accounts.

The balance of Defined Benefit accounts, as at 30 June 2003, totalled \$6.31 billion, representing a decrease of 2.5% over the previous year.

- ☑ Income totalled \$579.2 million
- ☑ Expenditure totalled \$741.5 million
- ☑ The net account balance was \$6.31 billion
- ☑ A total of 1,968 members received an income protection benefit

A total of 9,989 benefit payments were made in 2002/2003, compared with 11,174 in the previous year. A total of 129 members elected to transfer their Defined Benefit account to an Accumulation account, while 484 members transferred from having their employer and standard member contributions grow in an Accumulation account, to having them grow in a Defined Benefit account.

Figure 11.

### Benefit payments

BENEFIT	NUMBER OF PAYMENTS
Age retirement	3,313
Death (in service)	85
Ill health retirement	693
Resignation	4,214
Retrenchment	1,684
<b>TOTAL</b>	<b>9,989</b>

Many members with Defined Benefit accounts have made voluntary contributions to improve their retirement benefits, or to meet premiums for voluntary insurance. Members also took advantage of QSuper's low fees by consolidating superannuation monies held by other funds into their QSuper account. All of these contributions are held in an Accumulation account.

During 2002/2003, 28,095 members with a Defined Benefit account made voluntary contributions to an Accumulation account, and 3,099 Defined Benefit account members transferred money from other superannuation funds into QSuper.

The number of members with a Defined Benefit account who hold extra insurance coverage decreased from 5,962 to 5,790 during 2002/2003, which is consistent with the overall decline in Defined Benefit accounts. During the year, 1,968 members with Defined Benefit accounts received an income protection benefit from the Fund.



## QSuper Defined Benefit account

From 1 July 2000, QSuper introduced standard insurance terms, which apply to insured members with an Accumulation account and members with a Defined Benefit account who take out extra insurance. QSuper's insurance liabilities are fully self-insured, which is expected to provide some cost savings and administrative efficiencies, enabling lower premiums and higher insured benefits for members.

### Investment

The Defined Benefit account maintains an asset allocation of 90% growth assets (shares and property) and 10% defensive assets (fixed interest). It was determined this allocation to growth assets will best enable the Fund to reach its long-term investment objective of 4.5% above the Consumer Price Index over 5 years.

Figure 12.

#### Asset allocation

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 <sup>#</sup>	40%	38.5%	41.4%
International shares	40%	40.9%	42.8%

<sup>#</sup> The allocation to Australian shares includes an investment in Q•Invest Limited.

In 2001/2002 the Board introduced a smoothing policy for the Defined Benefit account to reduce the volatility of its yearly crediting rate. The 2002/2003 crediting rate for the Defined Benefit account, after allowing for taxation and administration fees, was 0%.

# QSuper Defined Benefit account

## Contributions

A member's defined benefit entitlement is calculated using a multiple times salary formula. Each year, the multiple grows at the rate relating to the amount of contributions paid by the member, as shown in the table below.

The employer contributes at a rate that, when combined with members' contributions and investment returns, guarantees the funding of benefits when they are needed.

Employer contributions are not paid into individual members' accounts. Instead, they are held in the Consolidated Fund and this reserve is used to pay benefits to Defined Benefit account members as required. Tax on contributions and on investment returns, plus insurance, administration, and investment fees, are also factored into the overall funding and there are no direct deductions from individual accounts.

Figure 13.

### Contribution rates

MEMBER PAYS	EMPLOYER PAYS	MULTIPLE GROWTH EACH YEAR
2%	9.75%	.135
3%	10.75%	.160
4%	11.75%	.185
5%	12.75%	.210

\* Different contribution rates and benefit growth applies to Queensland Police Officers

## Benefit structure

Benefits on leaving employment are calculated using the accrual rates for each year of contribution, as shown in the table to the left.

The full accrued benefit is payable on retrenchment or retirement and, depending on the preservation requirements, can be taken in cash, retained in QSuper in an Accumulation or Allocated Pension account, or transferred to another external complying fund of the member's choice.

### Retirement benefit

The retirement benefit is the member's accrued benefit.

### Resignation benefit

On resignation (prior to the member's preservation age), a member is entitled to a benefit equal to their accrued benefit, which is split into two components. The first component, relating to employee contributions (including interest), may be taken in cash if the amount accrued prior to 1 July 1999, otherwise it will be preserved.



## QSuper Defined Benefit account

The second component, the employer funded benefit, is the balance of the accrued benefit and can be preserved within the Fund (and indexed to wages growth) generally until age 55. Alternatively, the member can elect to take a present value (known as the Investment Linked value) of their employer funded benefit and transfer it to a QSuper Accumulation account, or another external complying superannuation fund of their choice.

### **Retrenchment benefit**

Where the Board is satisfied there is a bona fide retrenchment, members are entitled to a lump sum benefit equal to the resignation benefit, but with immediate access to any amount that would have been available at 30 June 1999. This cashable amount includes any employer component accrued before that date. Any amount over this cashable amount must be kept in a complying superannuation fund until the member permanently retires after their preservation age.

### **Death and disability benefits**

The benefit on death or total and permanent disability (TPD) is the member's accrued benefit, plus an insurance cover, as if the member had worked through to age 55. A life pension option is available on TPD. When the Board is satisfied a member is permanently unable to do their current job, but they do not satisfy the criteria for TPD, a lump sum partial and permanent disability benefit may be payable.

An income protection benefit may be payable if a member is on continuous sick leave without pay for more than 2 weeks. The benefit is a pension equal to 75% of the member's salary and is payable for up to a maximum of 2 years for any one medical condition. In addition to the income protection provided, the member's benefit accrual continues to grow during the period of temporary disability.

### **Accumulation accounts**

Many members with a Defined Benefit account also have an Accumulation account. These accommodate voluntary contributions and roll-ins from other superannuation funds and can be used to cover premiums for additional insurance.



## QSuper State and Police accounts

The QSuper State and Police accounts were closed to new members in 1991 and 1993 respectively, when all members were given the option to transfer to a Defined Benefit account. QSuper State and Police accounts are defined benefit style accounts, with benefits based on the member's salary, length of service, and rate of contribution.

As there are no new entrants into these accounts, membership numbers continue to diminish. Some members with current accounts and some with preserved accounts have taken up the option to transfer to a QSuper Accumulation account. At 30 June 2003, there were 2,054 members who held a State account and 268 remaining members with Police accounts.

### Contributions

#### Employer contributions

The employer contribution is 4.75% plus the equivalent of the member contribution, and is paid to the Consolidated Fund. An additional 3% is also contributed to a QSuper Accumulation account for each member.

#### Member contributions

Member contributions are based on the age of the individual member, as follows:

Figure 14.

#### Member contribution rates

AGE	MEMBER CONTRIBUTION RATE	
	STATE ACCOUNT	POLICE ACCOUNT
Under 20 years	2%	2%
20–24 years	4%	6%
25–34 years	4.5%	6.5%
35 years and over	5%	7%

Certain members had the option to 'buy back' additional membership and contribute at a rate above their normal contribution rate. Other members are paying marginally more or less than the above mentioned rates because of membership under previous arrangements. Contribution rates are reviewed each November, based on the member's age and salary at 1 October each year.

- ☑ A total of 2,054 State and 268 Police accounts
- ☑ Investment objective of CPI + 4.5% over rolling 5 year periods
- ☑ In total, 219 payments made to State and Police members

# QSuper

## State and Police accounts

### Benefit structure

#### Retirement benefit

On retirement at or after age 55, a member is entitled to a pension, a lump sum benefit, or a combination of both. The amount of the benefit is based on a number of factors including the member's length of service, final salary, and age on retirement.

#### Resignation benefit

On resignation prior to age 55, members have various options available to them. Members are entitled to take their accumulated member contributions in cash, plus interest (with the employer component and some of the member component of the benefit being preserved in accordance with Commonwealth Government regulations), or preserve a larger benefit within the Fund until reaching age 55. Members can also transfer their benefit to another approved public sector superannuation fund.

#### Retrenchment benefit

On retrenchment, State account members are entitled to a lump sum benefit, subject to Commonwealth regulations relating to preservation. The benefit payable is calculated based on factors including the projected age 55 retirement benefit, the member's age, and number of years of membership at the time of retrenchment.

#### Death benefit

In the event of a member's death, a benefit is payable to the spouse and/or dependant children of the member. Where there is no spouse or dependants, the benefit is payable as a lump sum to the estate.

#### Permanent disability benefit

A benefit is payable if a member suffers a permanent disability which renders them unfit or incapable of discharging their duties (subject to the Board being satisfied as to the extent of the disability). The benefit is payable as a lump sum or pension. The amount of the benefit is calculated as a multiple of final average salary.



# QSuper

## State and Police accounts

### Financial highlights

Financial highlights for the State and Police accounts are included in the data presented for the Defined Benefit account on page 26.

### Investment

The QSuper Board of Trustees' investment objective for State and Police accounts is "to earn a long-term average investment return over rolling 5 year periods, at least equal to CPI + 4.5% after tax and fees". The asset allocation for State and Police account investments is the same as that for the QSuper Defined Benefit account, as detailed on page 27.

For the 2002/2003 year, the crediting rate for the QSuper State and Police accounts was 0%, after allowing for administration expenses and taxation. This crediting rate was also used for early withdrawals for members with preserved accounts.

### Income protection benefit

For State account members, an income protection benefit may be payable when the member is on continuous sick leave without pay for more than 2 weeks, and the Board is satisfied the member suffers a disability, which renders them unfit or incapable of discharging their duties. The benefit is paid as a pension, which is calculated as a percentage (based on the member's age at joining) of their final average salary prior to the commencement of sick leave.

### Operational review

A total of 206 benefit payments were made to exiting members with a State account during the 2002/2003 year, while 13 payments were made to members with Police accounts. The number of State account pension recipients increased from 1,400 at 30 June 2002, to 1,471 at 30 June 2003. Police pensions also rose, from 234 to 239. The numbers of benefit and pension recipients are set out in the following tables.

Figure 14.

#### Benefit payments

BENEFIT	NUMBER OF PAYMENTS	
	STATE ACCOUNT	POLICE ACCOUNT
Age retirement	100	4
Death	42	5
Ill health retirement	7	0
Resignation	35	2
Retrenchment	22	2
<b>TOTAL</b>	<b>206</b>	<b>13</b>

Figure 15.

#### Pension recipients

BENEFIT	NUMBER OF RECIPIENTS	
	STATE ACCOUNT	POLICE ACCOUNT
Spouse	460	91
Child	83	15
Ill health	281	73
Age retirement	604	60
Temporary disability	43	n/a
<b>TOTAL</b>	<b>1,471</b>	<b>239</b>



# QSuper Allocated Pension account

## Benefit structure

A QSuper Allocated Pension account allows members to invest their QSuper benefit, and other superannuation benefits, to earn a competitive return, while drawing a regular pension. The pension continues to be paid until the member's investment, and earnings, are exhausted. Members can structure their Allocated Pension account to suit their individual retirement needs, by choosing the amount received as a pension (within legislated guidelines) and how often that amount is paid.

## Operational review

During the year, 823 members transferred monies into a QSuper Allocated Pension account. A total of 3,535 payment transactions were made during the year, and 781 members rolled over or withdrew part of their investment. As at 30 June 2003, 3,570 members held an Allocated Pension account.

## Investment

From 1 July 2000, the QSuper Board introduced wider investment choice arrangements for all members with an Allocated Pension account. Members can tailor their investment strategy to suit their individual needs, by choosing one or more of QSuper's four investment options:

<b>Cash</b>	<b>100% cash and fixed interest</b>
<b>Cash Plus</b>	<b>62.5% cash and fixed interest</b>
	<b>37.5% shares and property</b>
<b>Balanced</b>	<b>75% shares and property</b>
	<b>25% cash and fixed interest</b>
<b>High Growth</b>	<b>100% shares</b>

(Note: The asset allocations shown include both Australian and international shares. The Fund's Balanced with Reserves investment option was closed in May 2003).

Retired members can elect to purchase an Allocated Pension account from QSuper, which provides the flexibility of a lump-sum investment with an income stream. QSuper's Allocated Pension was introduced in 1996 and has proven increasingly popular with members, providing a flexible retirement product at a fraction of the cost of similar retail investments.

- ☒ Flexibility of a lump sum, with an income stream
- ☒ Total accounts at 30 June 2003 were 3,570
- ☒ Income totalled \$152.2 million
- ☒ Expenditure totalled \$79.9 million
- ☒ Administration fees remained at 0.35%



# QSuper Allocated Pension account

## Financial highlights

Contribution income and transfers from other QSuper accounts and external funds totalled \$177.0 million for the 2002/2003 financial year. Investment returns of -\$24.8 million were earned during the year, bringing total income for QSuper Allocated Pension accounts to \$152.2 million.

Expenditure for 2002/2003 totalled \$79.9 million, which included benefit payments, transfers to other funds, taxation, and administrative costs.

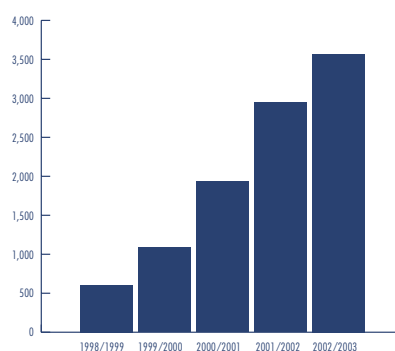
Members are able to change their investment option up to four times a year. The first switch is free and additional switches may incur a cost of \$25 each.

## Fees

Fees for all Accumulation and Allocated Pension accounts are charged on a 'percentage of assets' basis. The management fee for the 2002/2003 financial year was 0.35%, which is very low compared with similar products, and particularly attractive in the recent environment of low investment returns. Other charges such as brokerage, stamp duty, audit fees, custodian, and external manager fees are deducted by QIC before QSuper receives its earnings, which vary according to the member's chosen investment option/s.

Figure 16.

## Membership growth





## Chief Executive Officer report



**Rosemary Vilgan**

Chief Executive Officer

The Government Superannuation Office's (GSO) primary focus is serving the membership of the superannuation funds administered by the Office.

As an organisation, the GSO aims to be a leading superannuation provider, offering a suite of cost effective products that meet the needs of members.

In partnership with the QSuper Board of Trustees, the GSO ensures the trusted, secure management of funds, providing flexible superannuation arrangements, with the goal of financing a quality life for members in retirement.

From 2000, the Queensland Government implemented enhanced superannuation arrangements for the Queensland public sector, offering employees a significant amount of choice to meet their individual needs. These changes allow members to choose between a defined benefit or accumulation style account, a range of investment options for accumulation members, and the security of standard and additional insurance options. These new arrangements have already resulted in a significant improvement in superannuation coverage for Queensland workers, ensuring a better lifestyle for members after employment.

During 2003, the GSO's primary superannuation offering, QSuper, reached the milestone of 400,000 members and exceeded \$10 billion in schemes under management. In addition, the Queensland Government holds reserves in excess of \$10 billion to finance the employer share of QSuper benefits. This makes QSuper one of the largest superannuation schemes in Australia, and a significant business to administer. The GSO is an industry leader, with an established range of flexible products and services available to members. To ensure the GSO retains its distinguished position, the Office is continuing to examine innovative options to enhance the value proposition of QSuper membership.

Through the use of technology, the GSO has implemented several initiatives to improve service delivery, communication, and transactions with members and employers. The Employer Data Collection system was fully implemented in the last financial year, providing service improvements and internal efficiencies through the collection of employer returns over the Internet. The Office has also introduced workflow technology to several operational functions, automating previously manual tasks and reducing transaction times. Members will be able to access their QSuper account over the Internet in the second half of 2003, by logging onto the QSuper website. These and other innovations will continue to place the GSO at the forefront of service organisations in this industry.



## Chief Executive Officer report

Due to the ongoing expansion of QSuper's products, along with increasing member interest, the Office has experienced continued growth in member contact and demand for service delivery. To meet this challenge, the GSO has developed a blueprint with the QSuper Trustees to address service priorities for the coming 5 years. The GSO's service delivery is being enhanced and broadened through multiple channels, including direct member presentations, a large Contact Centre for telephone and written enquiries, and an informative website with account access for members.

The GSO is providing more tailored contact to members through seminars, with an increasing regional focus. In December 2002, the GSO installed a new reception and service area, providing a personalised information source and contact point for members.

In 2003, the GSO's executive team was bolstered by the appointment of senior staff to three new positions – Chief Strategy Officer, Chief Operating Officer, and Chief Financial Officer. These Officers will provide leadership and direction for the GSO's core functional activities, ensuring the Office is able to address its existing and future business challenges. I look forward to working with Michael Pennisi, Don Kofoed, and Cliff Kaye, in conjunction with all GSO staff and the QSuper Board, to achieve the Fund's strategic objectives and address changes in a dynamic market place.

The Office's structure and key personnel are outlined in the organisational chart on page 39.



# Chief Executive Officer report

## GSO staff

The GSO prides itself on the professionalism and dedication of its staff. The Office has 327 employees who share in the Board's commitment to providing superior service to Fund members. In recognition of this commitment, the GSO places great importance on staff training and development. Staff of the GSO participate in a broad spectrum of training, including tertiary and professional studies, specific superannuation industry training, and tailored programs which are conducted in-house to meet the technical and product knowledge required by individual branches.

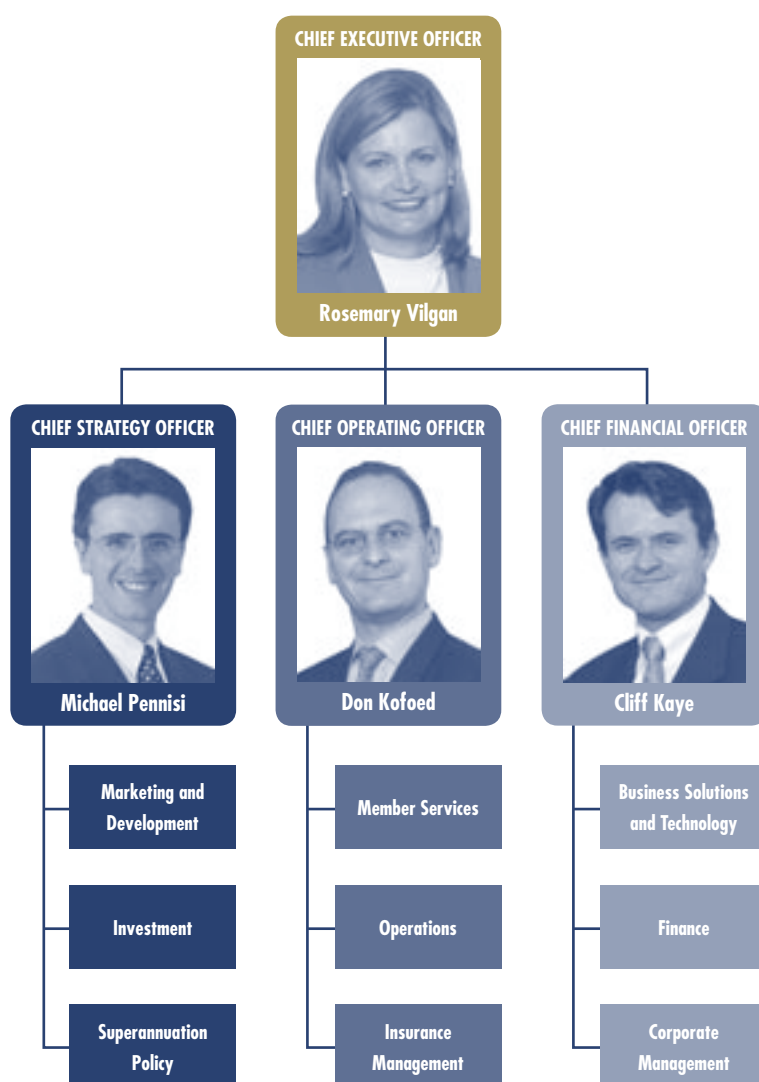
The Queensland Government provides financial assistance and support to staff undertaking higher education, through its *Study and Research Assistance Scheme*. In the 2002/2003 financial year, 48 GSO employees received assistance for their continuing studies through this scheme.

The GSO provides sponsorship and tutorial support for employees undertaking Diploma studies through the Association of Superannuation Funds of Australia (ASFA) Distance Education Program, which is a recognised industry qualification offered in conjunction with Macquarie University. During the 2002/2003 financial year, 62 staff completed subjects towards gaining a Diploma, while 20 staff now hold a Diploma of Superannuation Management qualification.

More than 80% of GSO employees have undertaken higher education qualifications, reflecting the professional nature of the Office and the desire of staff to develop their skills. The GSO is committed to a culture of constant improvement, through the use of individual performance plans, development programs, and a focus on the daily enhancement of service to members.



# Government Superannuation Office overview



The Government Superannuation Office has three core streams, Strategy, Operations, and Finance, each of which is managed by a member of the Executive.

Each stream is comprised of a number of areas, which are responsible for the functional activities of the organisation and superannuation schemes.









# Chief Strategy Officer report



**Michael Pennisi**

Chief Strategy Officer

The Chief Strategy Officer role oversees the functions that focus on supporting stakeholders and leading the development of policy and initiatives to assist the Fund and Office in meeting its strategic priorities:

- marketing and development;
- investment; and
- superannuation policy.



# Chief Strategy Officer report

## Role

- Provide strategic advice to the Executive, Board of Trustees, and Government regarding industry, member, and legislative developments
- Support the QSuper Board of Trustees, including providing advice on business planning, prudential and fiduciary responsibilities, Fund performance, and management
- Monitor investment performance, Fund movements, and membership demographics
- Develop and implement marketing and product development initiatives, and institute communication strategies for the Fund

The past year was characterised by volatile investment markets, which brought with it many challenges. The year also saw the introduction of a number of initiatives to ensure the Fund and Office maintained its leading position within the superannuation industry. Specifically, developments in key areas included:

- marketing the Fund in a challenging investment environment and developing strategies for product and service enhancements;
- providing policy advice to Government and Trustees Boards on matters such as Commonwealth legislative changes, membership issues, and product and investment policy;
- reviewing and enhancing the structure and monitoring of investments; and
- assisting the QSuper Board of Trustees in enhancing its governance and risk framework, re-evaluating its business calendar, and oversight of its service providers.

The focus moving forward is to build on the foundations now in place, with a view to being increasingly proactive in the development and provision of policy and advice to Government and Trustees. This focus will seek to increase understanding of the competitive environment and member needs, and develop appropriate products and services. In the coming year, a new marketing plan will be established with a focus on member communication and advice, and the Office's risk control and monitoring framework will be developed further.



## Marketing and Development

### Specific campaigns

Given the challenging investment climate of the past year, there was a significant focus on ensuring members were educated on investment related matters so they could make informed decisions. In addition to a Fund-wide education and information strategy, an integrated campaign was implemented throughout the latter part of the year.

### Product development initiatives

To ensure QSuper continues to provide leading edge services in the face of increased demand, the Division led the development of a five year service strategy for presentation to the QSuper Board, taking into account the use of technology and personalised services to best meet members' needs. In addition, consideration is being given to a range of non-superannuation products and member research will be undertaken to determine the demand for these products.

### QSuper website

There were over 335,000 visits to the QSuper website in 2002/2003, representing a 34% increase over the previous year. The focus of developments to the website supported marketing campaigns related to educating members on the volatile investment climate.

### Market research

During September 2002, 94 employers participated in a market research exercise to determine employers' satisfaction with QSuper. An excellent overall result was achieved, with QSuper's products and services identified as key contributors to satisfaction.



### Publications

QSuper maintains over 90 publications, available in hard copy, through IVR fax-back and via the QSuper website. The quality of QSuper's publications was recognised during the year, with *Super Scoop*, QSuper's annual report to members, receiving a communication award from the Association of Superannuation Funds of Australia (ASFA).



## Investment Services

Investment Services provides advice to the QSuper Board of Trustees on investment matters including the Fund's business and investment objectives, unit pricing policy, and governance issues. The area also monitors the investment performance of QSuper's investment manager, QIC, with reference to industry benchmarks, competitors, and the investment management agreement between the QSuper Board of Trustees and QIC.

In a difficult year, significant work was undertaken with QIC in understanding the drivers of investment performance and providing advice to stakeholders. The area also provided support to the Board in undertaking a significant review of each of the Fund's asset classes, which resulted in changes being implemented to the portfolio. This review will introduce external managers in the Australian share and global fixed interest portfolios from November 2003, to enhance diversification and obtain specialisation benefits.

Additionally, the area was actively involved in:

- monitoring and providing quality assurance on unit price movements;
- assisting in the monitoring and the development of policy in respect of reserves and tax levels; and
- providing support to the Board in developing a revised interim crediting rate policy and setting final crediting rates.

## Superannuation Policy Branch

During the year, the Branch focussed on reviewing the Board's business calendar and developing the Office and Fund's Risk Management Program. Additionally, the Branch assisted the Board in enhancing its governance structure and provided enhanced competitor and industry intelligence.

### Commonwealth developments

Amendments to the *Commonwealth Government's Family Law Act 1975* came into effect in December 2002, to allow the division of superannuation entitlements in the event of a divorce or marriage breakdown. Consequently, new legislative provisions, to allow QSuper accounts to be split on divorce, were introduced.

The Government's *Financial Services Reform Act* regulates the provision of financial product advice and sets minimum disclosure requirements for superannuation funds. While not formally subject to these requirements, the Office is working towards compliance with the spirit of the legislation.

The Branch is monitoring progress of proposed initiatives, including a reduction in the superannuation surcharge rate, co-contributions for low-income earners, and contribution splitting for spouses.

### Queensland policy issues

The Branch was heavily involved in considering the impact of, and drafting legislation and policies to implement, the State Government's *Discrimination Law Amendment Act 2003*, effective from 1 April 2003. The Branch also helped a number of employers in negotiating enterprise bargaining agreements and salary packaging arrangements.

### Risk management and compliance

The Branch maintains a Compliance and Risk Management Program to ensure the GSO's operations remain consistent with Commonwealth and State legislation and in terms of best practice industry standards. The program reviews all aspects of the Office's operations, which is the basis for regular reporting to the Audit and Compliance Committee and the Board.



**Lyn Melcer**

General Manager

### Superannuation Policy Branch role

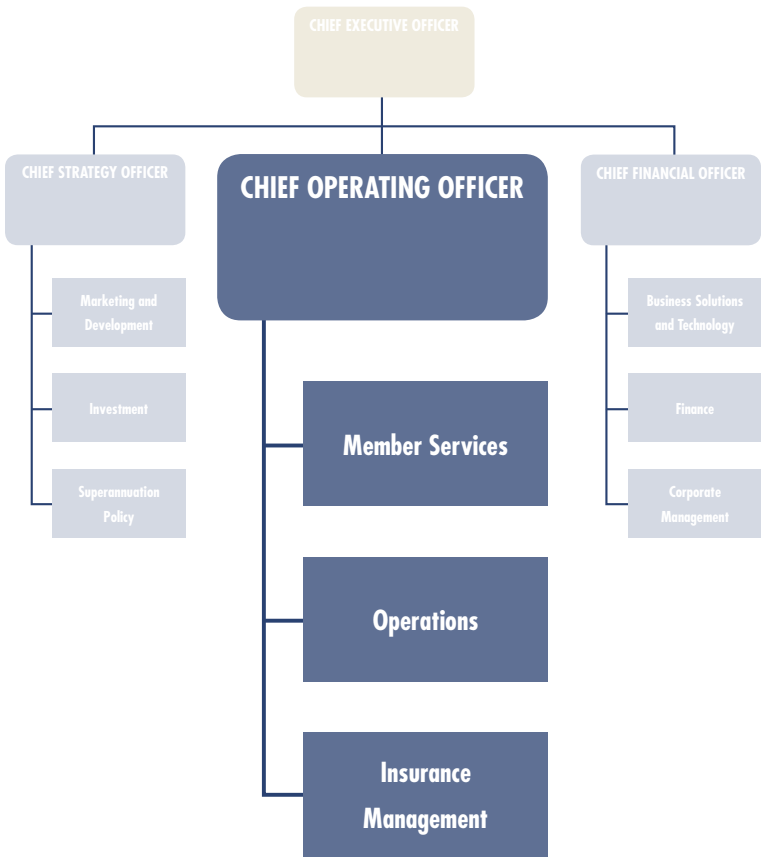
- Advise the Executive, QSuper Board of Trustees, and Queensland Government regarding developments in State and Commonwealth Government policies
- Provide support and advice to the QSuper Board of Trustees in areas such as business planning, prudential and fiduciary responsibilities, Fund performance, and management
- Manage a risk management framework for the Fund and Office to monitor compliance with legislation and best practice operational standards



# Chief Operating Officer report



**Don Kofoed**  
Chief Operating Officer



The Chief Operating Officer role was established to oversee and integrate the external service provision functions of the Office, including Insurance Management, Member Services, and Operations. The objective of the role is to ensure consistent, high quality, and cost effective service provision to members.



# Chief Operating Officer report

The key service issue over the past year has been an increase in transaction volumes and complexity, driven by a range of issues including a growing Fund membership, increasing insured membership, and volatile investment markets. These demands have effectively been met by:

- increasing the level of automation in transaction processing;
- making more information available to members via 'self-service' channels; and
- improving the efficiency and effectiveness of our business processes.

The operational challenges moving forward are to continue to improve the efficiency of service provision, allowing us to deal with increasing volumes and invest in value-adding services. These value-adding services include:

- enhancing member education and advice to support the baby boomer demographic as they move into retirement;
- improving information and tools to support members in making effective decisions regarding their superannuation; and
- developing the insurance claims management process to better meet the needs of members, while ensuring total insurance costs are contained.

## Role

- Provide member contact and education services including a phone Contact Centre, reception area, and extensive seminar program
- Manage the administrative functions associated with member accounts, such as collecting superannuation contributions, reporting to members, and the payment of superannuation entitlements
- Maintain fund accounting and cashflow management systems.
- Implement and monitor claims management programs for QSuper's insured benefits.





**Anne Murchison**

General Manager

## Member Services Branch role

Provide 'front line' contact for members through a phone Contact Centre, Member Services reception area, and statewide seminar program

Educate QSuper members and employers about QSuper superannuation arrangements and ensure they can make well-informed decisions

## Member Services Branch

### Telephone information service

Calls increased 8% and reflect QSuper's ongoing promotion of Member Services. Call complexity increased, but high service standards were maintained through the introduction of new technology and training of additional Information Officers. A document management system was introduced and enhancements were made to email response mechanisms and internal knowledge management databases.

### Seminar program

In total, 624 seminars were presented, with 26,000 members attending, a 30% increase over the previous year. Seventy centres throughout Queensland were visited, including 25 new locations.

### Quotes and correspondence answering service

Written enquiries grew marginally (2.5%), with members showing a preference for using email to communicate with the Office (now 65% of total correspondence). Phase 1 of a project to enable the automatic generation of benefit quotes was completed during the year.

### Face to face services

Refurbishment of the Member Services reception area at 81 George Street, Brisbane, provided a larger area, with more service points for staff to satisfy member enquiries. Visits increased by 6% to 17,350, with more members being served at the first point of contact. This resulted in a significant reduction (42%) in personal interviews.

### Member Investment Services Unit

The Member Investment Services Unit provides a link between the QSuper Contact Centre and the financial planning services of Q•Invest. Specialised information was provided to members through 2,888 calls, 220 interviews, and specific topic seminars.

### Employer Relations Unit

The Unit provides assistance to employers' human resource and payroll areas. Increased focus was given to gaining more opportunities and mediums to communicate with employers about QSuper.





## Operations Branch

### Contribution collection

QSuper introduced the Employer Data Collection (EDC) system in June 2002, enabling employers to validate and submit superannuation returns over the Internet. The processing time for large employer returns has been reduced from up to 7 days, to less than one a day, while significantly improving the integrity of the data. The EDC system has been fully rolled out, with 148 employers (representing 99% of employed members) submitting returns via the Internet.

### Workflow

During the year, the Branch expanded the use of workflow technology in the high volume processing functions of lump sum benefit payments and investment switches. Efficiency gains are currently being recognised in benefit payment timeframes, investment switch processing, and in updating members on the progress of their transactions. Further workflow processes currently under development, which will provide greater efficiencies for benefit payments, are expected to be implemented by December 2003.

### Reporting to members

Developments during 2002/2003 included the display of a graph on members' statements that depicted their projected retirement benefits, including annual retirement income and the impact of additional contributions on lump sum and annual retirement benefits.

### Other operational developments

A major update to the administration computer system was successfully implemented midway through the year to accommodate changes to the *Family Law Act* and the reporting requirements of the Australian Taxation Office. The number of rollovers received into QSuper during 2002/2003 increased significantly compared to previous years. Some of this increase is attributable to the promotion of an easy transfer process, in which members give QSuper the authority to initiate rollovers from external superannuation providers on their behalf.



**Phil Charge**

Acting General Manager

### Operations Branch role

- Manage the administrative functions associated with member accounts, such as the collection of superannuation contributions, member reporting on major account transactions and balances, and the payment of benefits
- Maintain Fund ledgers and provide Fund taxation and financial information
- Cashflow management, forecasting, and investment reconciliations between the GSO and QIC





**Barry Cook**

General Manager

### Insurance Management Branch role

- Exercise the delegated decision making powers of the Board, for the primary determination of death and permanent and temporary disability benefits for members
- Undertake the legal defence of member-initiated actions and provide direction for the payment of death benefits

## Insurance Management Branch

### Objective

The insurance management branch strives to achieve best practise and continues improvement in all aspects of insurance management.

### Claims management

During 2002/2003, the QSuper Board of Trustees established an Insurance Management Committee to oversee the disability claims management function, consider and endorse proposals for change, approve a budget to cover new initiatives, and provide strategic direction.

In total, 2,286 income protection claims were accepted during the year, with 557 permanent disability claims approved. The Branch continued to foster strong working relationships with employing authorities and WorkCover, and developed an *Income protection benefit guide* for members, which explains QSuper's income protection benefit, eligibility rules, and the ongoing assessment process.

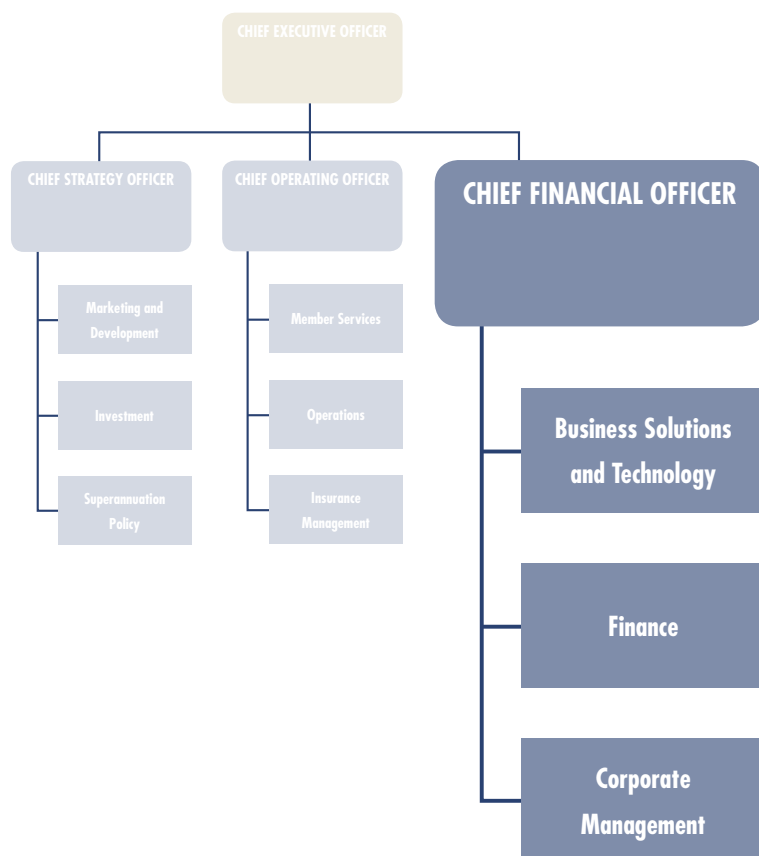
While the number of income protection claims received by the Branch continues to increase, in line with the growing number of insured members, total and permanent disability claims received are remaining relatively steady.

### Legal Unit

The Branch's Legal Unit is primarily responsible for the review of decisions, consideration of appeals, the provision of specialist advice on legislative issues concerning the payment of benefits, and legal defence against member initiated actions.

During 2002/2003, the Board considered 39 appeals, affirming the decision of its delegate in 33 cases. The majority of cases related to claims for total and permanent disability benefits.

# Chief Financial Officer report



**Cliff Kaye**

Chief Financial Officer

The Chief Financial Officer's role provides leadership and strategic direction across the internal service delivery areas of the Office — Finance, Business Solutions and Technology, and Corporate Management



# Chief Financial Officer report

## Role

- Provide corporate and financial accounting services and systems for the GSO, Q\*Invest, and superannuation funds administered
- Advise on corporate and fund taxation, financial and management accounting, and related issues
- Develop and implement business solutions through the use of information technology and related services
- Manage the technical infrastructure underpinning business operations, including the provision of Help Desk, network, and systems support
- Coordinate and provide advice on corporate and business administration services for the GSO

Over the past year, a major focus has been the development and integration of key ebusiness systems, responding to the needs of members, management, staff, and industry.

Other keys tasks undertaken were:

- the provision of professional human resource and administration support services to management and staff; and
- the provision of financial and management information on business initiatives, tax effective solutions, and best practice statutory reporting.

The focus moving forward is to increase efficiencies in management and statutory reporting.

This includes:

- delivering quality and timely management information and statutory reporting, utilising ebusiness system solutions;
- reviewing and integrating business processes to ensure maximum treasury, reserve, and taxation management for the funds;
- reviewing and integrating budgeting processes and monthly management reports, including all business projects;
- continuing to monitor and mitigate information technology business risks as the ebusiness strategy is developed; and
- reviewing and improving the employee performance management reporting system.



## Business Solutions and Technology Branch

### Systems Development Program

Throughout the year, the Branch continued the development and implementation of GSO's three major ebusiness projects:

- the Employer Data Collection system;
- online member access to account information; and
- Workflow.

The Employer Data Collection system was launched in July 2002 and progressively migrated to all employers during 2002/2003. This system provides, via the Internet, improvements to the processing of superannuation returns that deliver improved service to employers, and their employees, and increased efficiencies within the GSO.

Member access to account information via the Internet continued development throughout the year, with a planned introduction onto the QSuper website in the latter part of 2003. This will enable members to perform account enquiries and to change some personal and contact details.

The first phase of the Workflow project implemented workflow and image processing technology into the payment of member claims. This new technology has enabled the automation of many of the Office's previously manual procedures.

### Technical Infrastructure Development Program

During the year, the Branch purchased additional technical infrastructure to maintain the reliability and supportability of information systems, and began an upgrade of the data communication network capability to support greater administrative requirements.

The Branch commenced an enhancement to the Information Technology Security Program to identify and reduce business risks to the GSO. In recognition of the value the Office places on information security, the Office also engaged a full-time Security Officer to manage this security program.



**Gerhard Schellein**

General Manager

### Business Solutions and Technology Branch role

To provide:

- Information Technology (IT) strategic planning;
- management reporting;
- development and implementation of business solutions;
- Help Desk, network, and systems support; and
- IT contract services





**Peter Lockington**

General Manager

### Finance Branch role

- Provide a range of financial services that support decision making and business management
- Maintain and provide corporate and fund taxation, financial and management accounting information, and advice
- Analyse and advise on business initiatives
- Provide financial and taxation support for Q•Invest Limited

## Finance Branch

### Tax compliance and advice

The Branch completed a review of the tax and financial accounting policy framework to ensure compliance with legislative requirements. This incorporated streamlined reporting processes and improved operating systems. On 1 July 2002, a revised investment trust structure was implemented for QSuper. During the year, the Branch successfully incorporated these changes into its financial reporting structure for the Fund. Additionally, a new Capital Gains Tax system was developed and implemented by the Branch to cater for the changes brought about by the new investment structure. An independent post-implementation review was conducted on the Goods and Services Tax operations of QSuper to ensure compliance with applicable legislative requirements.

### Management reporting

Throughout the year, the Branch further enhanced its internal management reporting framework to strengthen the Office's corporate governance systems. As part of this process, the Branch enhanced its reporting and client focus by further refining service delivery.

To accommodate changing business needs, the Branch reviewed the funding and taxation reporting requirements for the GSO, QSuper, and Parliamentary funds. This review encompassed the redevelopment of a number of financial forecasting models during the year.

### Financial reporting

The Australian Accounting Standards Board announced its intention to align the Australian Accounting Standards with the International Financial Reporting Standards. This will significantly impact the reporting obligations of the funds administered by the GSO.

The Institute of Chartered Accountants in Australia has released proposed changes to AAS 25 Financial Reporting by Superannuation Plans for comment. A review into the implications for QSuper, recognised the significant impact the standard has on QSuper's reporting framework.



## Corporate Management Branch

### Human resources management

The Branch is responsible for a number of human resources functions for the GSO, including establishment management, recruitment and selection, consultancy and contract administration, training and development, employee relations, and workplace health and safety. The Branch also represents the GSO on a number of staff-related working groups.

### Facilities management

The Branch provides facilities services including accommodation, security, telecommunications, deliveries, records management, and the distribution of mail (both electronic and hard copy).

### Procurement and asset management

The Branch monitors the procurement process for GSO purchases, ensuring legislative and quality assurance requirements are met. This function includes the receipt and delivery of goods and services to the GSO, and the management, replacement, and disposal of office equipment and consumables.

### Other activities

The Branch managed a number of accommodation projects for the GSO during the year, to provide improved customer service delivery to members. Extensive consultation, liaison, and planning was undertaken to develop the new Member Services reception area, which became operational in January 2003. Similarly, the QSuper Contact Centre was modified to accommodate additional workstations, meeting the growing demand for member services.

In February 2003, the Branch conducted a test of the GSO's Business Continuity Plan. This review was dedicated to testing the GSO's business critical functions, with successful results achieved overall.



**Donna Wright**

Acting Senior Executive Officer

### Corporate Management Branch role

- Provide systems, support, and professional advice for a range of corporate and business administration services for efficient and effective functioning of the GSO
- Ensure compliance with legislative and regulatory requirements, corporate policies, practices, and objectives



## Appendices

### Statutory responsibilities

*Parliamentary Contributory Superannuation Act 1970*

*Superannuation (Public Employees Portability) Act 1985*

*Public Officers' Superannuation Benefits Recovery Act 1988*

*Superannuation (State Public Sector) Act 1990*

*Judges' (Pension and Long Service Leave) Act 1957*

*Statutory Authorities (Superannuation Arrangements) Act 1994*

### Representation on boards and committees

#### **Q•Invest Limited**

Rosemary Vilgan — Director

#### **ASFA (Association of Superannuation Funds of Australia)**

Rosemary Vilgan — Director and past Chair, Board of Directors

Michael Pennisi — Member, Queensland Executive Committee

#### **FEAL (Fund Executives Association Limited)**

Rosemary Vilgan — Director

### Internal auditor

KPMG

Central Plaza One

345 Queen Street

BRISBANE Q 4000

### External auditor

Queensland Audit Office

Central Plaza One

345 Queen Street

BRISBANE Q 4000

### Actuary

State Actuary

85 George Street

BRISBANE Q 4000











## **QSuper contacts**

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