

QSuper

UNIT  
PRICE

YEAR TO DATE  
RETURNS

ACCUMULATION AC	UNIT PRICE	YEAR TO DATE RETURNS
CASH PLUS	1.487716	4.36%
CASH BALANCED	1.284979	9.55%
HIGH GROWTH	1.471918	15.26%
ALLOCATED PENSION AC	1.217630	19.97%
CASH PLUS	1.474697	3.19%
CASH BALANCED	1.444889	10.88%
HIGH GROWTH	1.512128	16.78%
ALLOCATED PENSION AC	1.224883	22.74%

BETTER LIFESTYLE



2003/2004 Annual report  
of the QSuper Board of Trustees  
and the Government Superannuation Office

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# Profile of QSuper and the Government Superannuation Office

The Treasurer of Queensland 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 Queensland Government provides valuable superannuation coverage to its employees, offering generous employer contributions and flexible options to assist 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.

QSuper is a leading fund within the Australian superannuation industry and provides flexible and cost-effective products and services to its members. The Board is committed to assisting Queensland public sector employees in the achievement of their retirement income goals, by providing quality products and services.

The QSuper Board of Trustees and the GSO have pleasure in submitting our annual report for the 12 months ending 30 June 2004.

This report has been prepared for the Queensland Parliament, and other individuals and organisations that share an interest in the objectives, achievements, and future direction of QSuper and the GSO.

## Vision

Our vision is to be a leading superannuation and financial savings provider.

## Mission

Trusted secure management of funds.

## Values

Our values are:

- Members
- Innovation
- Delivery
- Professionalism

# Board of Trustees

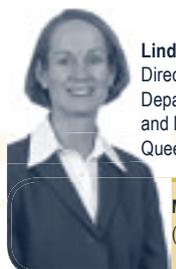
## Employer representatives

(nominated by the Queensland Government)



**Gerard Bradley**  
Under Treasurer and  
Chairman of the Board

**Meeting attendance 12**  
(Deputy – Tim Spencer)



**Linda Apelt**  
Director-General  
Department of Communities  
and Disability Services  
Queensland

**Meeting attendance 11**  
(Deputy – Wayne Cannon)



**Terri Hamilton**  
Managing Director  
MAP Funds Management Ltd

**Meeting attendance 12**  
(Deputy – John Carpendale)



**Tony Hawkins**  
Chief Executive Officer  
WorkCover Queensland

**Meeting attendance 12**  
(Deputy – John Carpendale)



**Helen Ringrose**  
Director-General  
Department of Tourism, Fair  
Trading and Wine Industry  
Development

**Meeting attendance 12**  
(Deputy – Cathi Taylor)

## Member representatives

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



**Chris Barrett**  
Assistant General Secretary  
Queensland Council of Unions

**Meeting attendance 11**  
(Deputy – Grace Grace)



**Karen Peut**  
Council Delegate  
Queensland Public Sector Union

**Meeting attendance 11**  
(Deputy – Alex Scott)



**Garry Ryan**  
State President and Southern  
District Secretary  
The Australian Workers' Union

**Meeting attendance 10**  
(Deputy – Tom Jeffers)



**Steve Ryan**  
Vice-President  
Queensland Teachers' Union

**Meeting attendance 12**  
(Deputy – Jeff Backen)



**Merv Bainbridge**  
Official  
Queensland Police Union of  
Employees

**Meeting attendance 11**  
(Deputy for Gary Wilkinson)

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

The Act requires equal member and employer representation on the Board with the Under Treasurer being, ex-officio, Chairman. Trustees serve on the Board for a term of 3 years, after which they may accept re-appointment.

# Chairman's report

The past year saw the economic recovery investors had been waiting for. This has helped deliver strong returns for members, with QSuper's performance among the best of any superannuation fund in Australia.

Returns for this year have been particularly strong and the Board is delighted with the investment performance achieved for members. QSuper was ranked highly in a number of industry surveys completed throughout 2003/2004, highlighting the strength of our performance.

At the time of last year's report, all superannuation funds, and their members, were dealing with a prolonged period of low, or even negative, investment returns. Although recent investment conditions have been favourable, the message for members remains the same this year as in past years, and that is to invest with discipline and to focus on long-term objectives. The QSuper Board remains committed to long-term investment objectives in both good and bad years, to ensure funds are managed with our members' retirement interests in mind.

QSuper funds under management grew strongly in 2003/2004, from \$9.8 billion to \$13.1 billion. Total funds, including Queensland Government superannuation reserves within Queensland Treasury, grew from \$20.7 billion to \$25.8 billion. This growth is not only due to high returns in 2003/2004, but has also arisen as a result of increases in discretionary member contributions and the retention of discretionary funds.

Online activity was again a key growth area in 2003/2004, with 464,630 visits to the QSuper website, and more than 11,000 members signing up for online access to their accounts, which became available in August 2003. Members are able to view and update their personal details, view their account balances and transactions, request personal quotes, and download their annual benefit statements, current employment details,

a summary of insurance, future investment preferences, and a graphical representation of their investment mix. A major website redevelopment will be implemented in 2004/2005 to facilitate an improved online experience for members. Comprehensive research was undertaken into a variety of areas to better understand QSuper members and enhance service. This included product and service research, member demographic research, and member satisfaction research. The information gained through these research activities will drive strategic initiatives in 2004/2005, such as enhancements to products and services, and to deliver operational solutions. A new research program will also be implemented in 2004/2005 to investigate member and employer satisfaction, perceptions of QSuper, Q•Invest, and QIC, and to understand how QSuper can better meet the needs of those members withdrawing funds, including the role of financial planners.

During 2003/2004, the two-year transitional period for financial organisations to implement a licensing and disclosure regime under the *Financial Services Reform Act (2001)* (FSR Act) came to a close. As an exempt public sector fund, QSuper is not bound by the provisions of the FSR Act, but as we have undertaken to act within the spirit of the legislation, we initiated training to ensure that staff dealing with members are familiar with the FSR Act and its requirements.

The Board continually strives to meet the needs of members. In response to member feedback for more choice in how their superannuation can be invested, the Board has approved the development of four additional investment options, which are expected to become available for members during early 2005.

## QSuper current investment choice options



Cash



Cash Plus



Balanced



High Growth



QSuper faces a number of key challenges moving forward. Increasing competition and the impact of the baby boomer demographic moving through QSuper is beginning to be felt in the form of increased demand for financial planning services and educational material as members consider their retirement options.

The number of QSuper members who are categorized as being in the post retirement phase of life has increased by over 50% over the last 4 years, and this trend will increase over time. QSuper must therefore ensure it provides products and services that meet members' needs not only while members are employed, but also later in life.

Additionally, the increasing proportion of members in QSuper's accumulation style of account places greater importance on the need to deliver consistent solid investment performance. The vast majority of our members will have their retirement lifestyle determined by investment earnings.

The Board would like to thank its major service providers, including the GSO, QIC, Q\*Invest, and the State Actuary. The Board also appreciates the valuable assistance provided by the Auditor-General of Queensland (Auditor) and KPMG (Internal Auditor). I would also like to thank my fellow Board members for their commitment to continually improving QSuper for our members.

**Gerard Bradley**  
Chairman, QSuper Board of Trustees

The Board continually strives to meet the needs of members. In response to member feedback for more choice in how their superannuation can be invested, the Board has approved the development of four additional investment options, which are expected to become available for members during early 2005.

### QSuper additional investment choice options



Australian Shares



International Shares



Fixed Interest



Socially Responsible

# QSuper financial summary

QSuper member funds as at 1 July 2003	<b>\$9,730.16m</b>
<b>Inflows</b>	
Investment income	\$1,903.35m
Employer contributions	\$1,618.54m
Member contributions	\$511.20m
Transfers in	\$216.41m
Other income	\$0.85m
<b>Total inflows</b>	<b>\$4,252.35m</b>
<b>Outflows</b>	
Benefits paid	\$884.29m
Administration expenses	\$44.30m
Income tax expense	\$55.97m
Other expenses	\$16.83m
<b>Total outflows</b>	<b>\$1,001.39m</b>
<b>Net assets available to pay benefits at 30 June 2004</b>	<b>\$12,981.12m</b>

For further information refer to the detailed financial statements.

# Highlights

STRATEGIC BUSINESS PRIORITIES	HIGHLIGHTS	THE YEAR AHEAD	
<p>Ensure the investment strategy and performance of QSuper is appropriate to meet the challenges of the current investment climate.</p>	<p>Funds under management grew to \$13.1 billion. QSuper's Accumulation account Balanced option ranked among the top Australian funds for the year.</p>	<p>Review investment strategy of QSuper to ensure the best possible outcomes for members.</p>	
<p>Enhance the multi-channelled approach to service to provide online services for members and undertake system developments to improve services and operational processing.</p>	<p>Recorded 464,630 visits to the QSuper website, and implemented online access to accounts for members.</p>	<p>Complete website redevelopment including website architecture, user testing and implementation.</p>	
<p>Provide education and guidance tools to assist members to make informed decisions about superannuation issues.</p>	<p>QSuper's Annual Report to members, <i>Super Scoop</i> and the QSuper <i>Retirement Preparation Guide</i> received national communication awards. Reviewed and expanded QSuper's seminar reach, to more than 22,000 members. Developed new seminar topics to cover a broader range of investment issues.</p>	<p>Begin rollout of new communications framework which focuses on education over a member's lifecycle, communicating with our member segments, and ensuring all communications are consistent with brand and product attributes.</p>	
<p>Undertake internal and external market research to gain a deeper understanding of our members, their needs and how well we are meeting them.</p>	<p>Undertook significant research studies in the areas of product and service, member retention, website, and member services.</p>	<p>Implement a new research program which has been developed to give us in-depth knowledge of member satisfaction, behaviour, needs, brand awareness, and retention drivers.</p>	

# Accumulation account

QSuper's Accumulation account caters for members during and after their employment with the Queensland Government. The Accumulation account is the automatic option for new employees of all core Queensland public sector agencies, and is also available to non-core agencies by individual employer arrangement.

	2002/2003	2003/2004
<b>Membership</b>	346,402	368,290
<b>Benefit payments</b>	26,961	27,148
<b>Income protection benefits paid</b>	585	868
<b>Rollovers to QSuper</b>	18,018	19,543
<b>Members making voluntary contributions</b>	8,793	15,080
<b>Members with additional insurance coverage</b>	1,713	2,146
<b>Spouse accounts opened</b>	1,390	1,407
<b>Income</b>	Contribution: \$1,465,362,000 Investment: -\$217,446,000 Misc: \$151,000 <b>Total: \$1,248,067,000</b>	Contribution: \$1,399,155,000 Investment: \$864,844,000 Misc: \$278,000 <b>Total: \$2,264,277,000</b>
<b>Expenditure</b>	\$675,418,000	\$788,733,000
<b>Balance of accounts<sup>1</sup></b>	\$4,468,483,000	\$5,944,027,000
<b>Crediting rate as at 30 June 2004</b>	Cash 3.87% Cash Plus 1.21% Balanced -1.91% High Growth -3.44%	Cash 4.36% Cash Plus 9.55% Balanced 15.26% High Growth 19.97%

## Product Snapshot

# Accumulation account cont.

	2002/2003			2003/2004		
MER <sup>2</sup>	MF +	Other =	MER	MF +	Other =	MER
Cash	0.35%	0.02%	<b>0.37%</b>	0.35%	0.02%	<b>0.37%</b>
Cash Plus	0.35%	0.06%	<b>0.41%</b>	0.35%	0.10%	<b>0.45%</b>
Balanced	0.35%	0.11%	<b>0.46%</b>	0.35%	0.19%	<b>0.54%</b>
High Growth	0.35%	0.24%	<b>0.59%</b>	0.35%	0.22%	<b>0.57%</b>
<b>Investment</b> (Ranges as approved by the Board of Trustees)						
<b>Cash</b>						
Cash	100%	Cash	100%	Cash	100%	
Diversified fixed int.	0%	Diversified fixed int.	0%	Diversified fixed int.	0%	
Property	0%	Property	0%	Property	0%	
Australian shares	0%	Australian shares	0%	Australian shares	0%	
International shares	0%	International shares	0%	International shares	0%	
<b>Cash Plus</b>						
Cash	49.0-63.0%	Cash	53.3%	Cash	52.9%	
Diversified fixed int.	4.5-16.0%	Diversified fixed int.	6.0%	Diversified fixed int.	8.7%	
Property	2.3-7.9%	Property	5.2%	Property	4.6%	
Australian shares	14.2-21.0%	Australian shares	18.6%	Australian shares	17.7%	
International shares	9.1-21.4%	International shares	16.9%	International shares	16.1%	
<b>Balanced</b>						
Cash	3.0-22.0%	Cash	6.3%	Cash	6.2%	
Diversified fixed int.	9.5-30.5%	Diversified fixed int.	12.1%	Diversified fixed int.	17.3%	
Property	5.0-15.0%	Property	10.5%	Property	9.1%	
Australian shares	30.0-40.0%	Australian shares	37.3%	Australian shares	35.3%	
International shares	19.2-40.8%	International shares	33.8%	International shares	32.1%	
<b>High Growth</b>						
Cash	-2.0-2.0%	Cash	-0.2%	Cash	0.2%	
Diversified fixed int.	0%	Diversified fixed int.	0%	Diversified fixed int.	0%	
Property	0%	Property	0%	Property	0%	
Australian shares	31.0-39.0%	Australian shares	34.9%	Australian shares	34.9%	
International shares	61.0-69.0%	International shares	65.3%	International shares	64.9%	

1 These amounts include some reserves held in the Consolidated Fund.

2 Management Expense Ratio (MER) is made up of QSuper's management fee (MF) and additional expenses (Other) such as external management fees.

The standard investment allocation for Accumulation account is:

Cash 100% cash and fixed interest

Cash Plus  
65.5% cash and fixed interest,  
37.5% shares and property

Balanced  
75% shares and property,  
25% cash and fixed interest

High Growth  
100% shares

# Defined Benefit account

A Defined Benefit account provides accrued and insured benefits based on a member's salary, contribution rate, and length of membership. Both new and existing members have the option of transferring to a Defined Benefit account.

	2002/2003	2003/2004
<b>Membership</b>	158,095	153,193
<b>Benefit payments</b>	Age retirement 3,313 Death (in service) 85 Ill health retirement 693 Resignation 4,214 Retrenchment 1,684 <b>Total: 9,989</b>	Age retirement 2,241 Death (in service) 97 Ill health retirement 571 Resignation 2,848 Retrenchment 320 <b>Total: 6,077</b>
<b>Income protection benefits paid</b>	1,680	1,724
<b>Rollovers to QSuper</b>	3,051	2,339
<b>Members making voluntary contributions to a QSuper Accumulation account</b>	23,906	25,616
<b>Members with additional insurance coverage</b>	5,612	5,543
<b>Income</b>	Contribution: \$680,546,000 Investment: -\$101,913,000 Misc: \$590,000 <b>Total: \$579,223,000</b>	Contribution: \$1,387,246,000 Investment: \$937,691,000 Misc: \$573,000 <b>Total: \$2,325,510,000</b>
<b>Expenditure</b>	\$741,540,000	\$814,041,000
<b>Balance of accounts</b>	\$6,311,163,000	\$7,822,032,000
<b>Crediting rate</b>	0%	15.26%
<b>Investment (Neutral asset allocation)</b>	<b>June 2003</b>	<b>June 2004</b>
Cash 0%	Cash 1.5%	Cash 0.8%
Diversified fixed interest 10%	Diversified fixed int 0.8%	Diversified fixed int 7.3%
Property 10%	Property 13.5%	Property 9.5%
Aust shares 40%	Aust shares 41.4%	Aust shares 40.2%
Internat shares 40%	Internat shares 42.8%	Internat shares 42.2%

# State and Police accounts

State and Police accounts are defined benefit style accounts which were closed to new members in 1991 and 1993 respectively. As there are no new entrants into these accounts, membership numbers continue to diminish.

	2002/2003		2003/2004	
<b>Membership</b>	2,327		2,211	
<b>Benefit payments</b>	<b>State Police</b>		<b>State Police</b>	
Age retirement	100	4	Age retirement	87 8
Death	42	5	Death	36 10
Ill health retirement	7	0	Ill health retirement	3 0
Resignation	35	2	Resignation	20 8
Retrenchment	22	2	Retrenchment	7 2
<b>Total:</b>	<b>206</b>	<b>13</b>	<b>Total:</b>	<b>153 28</b>
<b>Income protection benefits paid</b>	21		21	
<b>Members making voluntary contributions to a QSuper Accumulation account</b>	15		22	
<b>Income</b>	Included in Defined Benefit account			
<b>Expenditure</b>	Included in Defined Benefit account			
<b>Balance of accounts</b>	Included in Defined Benefit account			
<b>Crediting rate</b>	State: R 0% P 0%	Police: R 0% P 0%	State: R 14.86% P 15.26%	Police: R 14.86% P 15.26%
<b>Investment</b> (Neutral asset allocation)	<b>June 2003</b>		<b>June 2004</b>	
Cash 0%	Cash	1.5%	Cash	0.8%
Diversified fixed interest 10%	Diversified fixed int	0.8%	Diversified fixed int	7.3%
Property 10%	Property	13.5%	Property	9.5%
Aust shares 40%	Aust shares	41.4%	Aust shares	40.2%
Internat shares 40%	Internat shares	42.8%	Internat shares	42.2%

R = Resignation P = Preserved

## Product Snapshot

# Allocated Pension account

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.

	2002/2003		2003/2004	
<b>Membership</b>	3,570		4,371	
<b>New accounts opened</b>	921		975	
<b>Income</b>	Contribution:	\$177,029,000	Contribution:	\$216,003,000
	Investment:	-\$24,782,000	Investment:	\$102,121,000
	Misc:	\$0	Misc:	\$0
	<b>Total:</b>	<b>\$152,247,000</b>	<b>Total:</b>	<b>\$318,124,000</b>
<b>Expenditure</b>	\$79,944,000		\$76,367,000	
<b>Balance of accounts<sup>1</sup></b>	\$564,790,000		\$806,547,000	
<b>Crediting rate</b>	Cash	4.62%	Cash	5.19%
	Cash Plus	1.50%	Cash Plus	10.88%
	Balanced	2.11%	Balanced	16.78%
	High Growth	3.94%	High Growth	22.74%
<b>MER<sup>2</sup></b>	<b>MF + Other = MER</b>		<b>MF + Other = MER</b>	
Cash	0.35% 0.02%	<b>0.37%</b>	0.35% 0.02%	<b>0.37%</b>
Cash Plus	0.35% 0.06%	<b>0.41%</b>	0.35% 0.10%	<b>0.45%</b>
Balanced	0.35% 0.11%	<b>0.46%</b>	0.35% 0.19%	<b>0.54%</b>
High Growth	0.35% 0.24%	<b>0.59%</b>	0.35% 0.22%	<b>0.57%</b>
<b>Investment (Ranges)</b>	<b>June 2003</b>		<b>June 2004</b>	
<b>Cash</b>				
Cash	100%	Cash 100%	Cash	100%
Diversified fixed int.	0%	Diversified fixed int. 0%	Diversified fixed int.	0%
Property	0%	Property 0%	Property	0%
Australian shares	0%	Australian shares 0%	Australian shares	0%
International shares	0%	International shares 0%	International shares	0%
<b>Cash Plus</b>				
Cash	49.0-63.0%	Cash 53.3%	Cash	52.9%
Diversified fixed int.	4.5-16.0%	Diversified fixed int. 6.0%	Diversified fixed int.	8.7%
Property	2.3-7.9%	Property 5.2%	Property	4.6%
Australian shares	14.2-21.0%	Australian shares 18.6%	Australian shares	17.7%
International shares	9.1-21.4%	International shares 16.9%	International shares	16.1%
<b>Balanced</b>				
Cash	3.0-22.0%	Cash 6.3%	Cash	6.2%
Diversified fixed int.	9.5-30.5%	Diversified fixed int. 12.1%	Diversified fixed int.	17.3%
Property	5.0-15.0%	Property 10.5%	Property	9.1%
Australian shares	30.0-40.0%	Australian shares 37.3%	Australian shares	35.3%
International shares	19.2-40.8%	International shares 33.8%	International shares	32.1%
<b>High Growth</b>				
Cash	-2.0-2.0%	Cash -0.2%	Cash	0.2%
Diversified fixed int.	0%	Diversified fixed int. 0%	Diversified fixed int.	0%
Property	0%	Property 0%	Property	0%
Australian shares	31.0-39.0%	Australian shares 34.9%	Australian shares	34.9%
International shares	61.0-69.0%	International shares 65.3%	International shares	64.9%

1 These amounts include some reserves held in the Consolidated Fund.

2 Management Expense Ratio (MER) is made up of QSuper's management fee (MF) and additional expenses (Other) such as external management fees.

The standard investment allocation for Allocated Pension account is:

Cash 100% cash and fixed interest

Cash Plus  
65.5% cash and fixed interest,  
37.5% shares and property

Balanced  
75% shares and property,  
25% cash and fixed interest

High Growth  
100% shares

# At QSuper our members are important to us.

## We recognise

all our members are individuals,  
with specific needs and wants,

and different levels of understanding when it comes to investment and finance.

We are committed to helping each of our members understand how they can make the best choices, to make the most of their superannuation, and have the lifestyle they deserve in retirement.

**That's why QSuper offers our members low fees, solid returns,  
better knowledge, and real service.**

A black and white photograph of a stethoscope resting on a document. The document is titled "QSuper Explained" in large, white, serif font. Below the title, the text "A MANU EMPLE" is visible. The stethoscope is positioned diagonally across the page, with its chest piece on the left and its earpieces on the right. The background is a blurred office setting.

QSuper Explained

A MANU  
EMPL



## Low fees

At QSuper, keeping fees as low as we can is important to us, so our members have more money working for them.

# Low fees

At QSuper, keeping fees as low as we can is important to us, so our members have more money working for them.

QSuper is well known for its low fees. It is easy to forget that fees are just as important to the growth of an investment as returns. Superannuation accounts grow with returns, but reduce with fees. Returns can vary from year to year and the best performing fund one year is not likely to be on top the next year. However, the benefit of a low fee will be there for members each and every year.

QSuper's fees are among the lowest in Australia. For the 2003/2004 year QSuper's management expense ratio (MER) for the Balanced option was 0.54%. This fee incorporates all administration fees and investment management fees, as well as the other investment charges that happen outside of QSuper, such as stamp duty, audit fees, custodian fees, and external management fees. Our MERs for 2003/2004 for all accounts are shown in the table below.

Although QSuper's core management fee has not risen since 2001, for some options there have been some additional external costs, most of which are associated with the move to bring a number of external managers into the investment management role. This small increase in fees has, however, been more than offset by the benefits of manager diversification and the additional expected returns these managers will gain for members.

Option	QSuper core management fee	Additional fees	MER
Cash	0.35%	0.02%	0.37%
Cash Plus	0.35%	0.10%	0.45%
Balanced	0.35%	0.19%	0.54%
High Growth	0.35%	0.22%	0.57%

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

Defined Benefit accounts (including State and Police accounts) receive a benefit based on a multiple of salary calculation, so fees and investment returns do not directly affect the member's end benefit. However, the management expense ratio, and tax expenses, are deducted from the earnings of resignation benefits.

The returns QSuper members receive are calculated after fees and a tax provision have been deducted. That means our returns are always net of fees.

With QSuper's low fees, our members are already in front.

The returns QSuper members receive  
are calculated after fees and a tax  
provision have been deducted.  
That means our returns are  
always net of fees.



## Solid returns

QSuper's commitment to achieving solid returns for members was more evident than ever in its strong results for the 2003/2004 year.

# Solid returns

QSuper's commitment to achieving solid returns for members was more evident than ever in its strong results for the 2003/2004 year.

Following an extremely difficult investment environment over the past two years, investment returns improved in 2003/2004, and as a consequence, funds under management grew strongly from \$9.8 billion to \$13.1 billion.

The economic recovery, which started in March 2003, along with a disciplined application of investment strategy, helped place QSuper's performance among the best of all Australian funds in a series of independent studies conducted throughout the year.

Notably, the Rainmaker Information Group ranked QSuper's Accumulation account Balanced option among the top performing Australian funds for 2003/2004, with a crediting rate of 15.26% for the year, well ahead of the industry average of 13.2%.

While the recent results are pleasing, QSuper's investment objectives are aimed at providing a solid return for members over the long term, and performance over the last 10 years consistently sees QSuper ranked among the top funds in the country for long-term performance.

QIC has managed QSuper's funds for well over a decade, and consistently achieves above industry average returns, ranking as Australia's fourth largest wholesale funds manager. However to complement its own expertise, QIC engages and closely monitors 25 external managers from around the globe to work with them for the investment of QSuper's international shares, and a proportion of Australian shares and fixed interest. This means members' funds are receiving expert specialised attention in a range of regions and markets, to enable QIC to focus on reducing risk and improving investment performance.

QIC's manager selection process is rigorous, and one skilled in selecting the best external managers. QIC, for instance, was the only Australian fund manager to use Rogge International before they were announced 'World's best bond manager' this year by international *Global Investor* magazine. Around 35% of QSuper's Australian shares, 100% of international shares, and around 37% of the fixed interest portfolio is externally managed, representing around \$6.7 billion, or 51% of the total QSuper fund. QIC monitors managers' results on a daily basis, right down to individual share choices. QIC regularly reviews each manager in detail, to confirm they are meeting their objectives and targets, and QIC's own performance is closely monitored by the QSuper Board of Trustees.

Global consulting firm, Watson Wyatt, has been appointed to provide additional investment consultancy services for QSuper. While QIC will remain the main source of advice to QSuper, the independent consultant will be available to provide independent industry and investment performance information.

QSuper's strategy moving forward is to continue focussing on enhancing returns and diversifying risk.

Also during the 2003/2004 financial year, work began on the development of four new Member Investment Choice (MIC) options: Australian Shares, International Shares, Diversified Fixed Interest, and a Socially Responsible Investment (SRI) option. System requirements and communications are being developed and reviewed with the aim of launching the new options in early 2005.

The Board will remain committed to long-term investment objectives in both good and bad years, to ensure funds are managed with our members' retirement interests in mind.

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## Better knowledge

At QSuper, we are committed to giving our members better knowledge and education to understand their superannuation, so they can enjoy a better lifestyle in retirement.

# Better knowledge

With more than 418,000 members – which is one in every nine Queenslanders – QSuper is one of Australia's largest and strongest superannuation funds. For most members, the retirement benefit they receive from QSuper will be the largest single sum of money they ever have to deal with. QSuper is committed to offering our members the kind of knowledge and education they need to make the best decisions for their financial futures and retirement lifestyle.

During the year, we continued to provide members with the tools and knowledge to make the best investment choices for their individual lifestyles, through our website, member service centre (in person, on the phone, and through written and email correspondence), seminars, and publications.

During 2003/2004, there were 464,630 visits to the QSuper website, an increase of 20% on 2002/2003. The site provides members with education and information services to help plan their financial futures, including unit prices, forms and fact sheets, investment news, profiling tools, and calculators.

Online access to member account information on the QSuper website was implemented in August 2003 to give members 24 hour access to their own account details. By 30 June 2004, over 11,000 members had registered for the online service, which allows members to see their account balance, view their investment preference, their benefit statement, request quotes, or even change their personal details.

In 2004/2005, the website will undergo a major redevelopment encompassing website architecture and user interface redesign, as well as extensive user testing, to position QSuper as a leading superannuation provider and enhance the online experience for members.

QSuper publications – the annual report to members, *Super Scoop*, and the QSuper *Retirement Preparation Guide* – received two national communication awards (out of only five presented nationally) from the peak industry body, the Association of Superannuation Funds of Australia. The award for *Super Scoop* was granted for the second year running. These publications provide educational information to members on superannuation and investment issues to assist in preparing for retirement. QSuper will continue to emphasise the importance of communicating with, and educating, members, through a major new communications framework to be developed in 2004/2005.

The QSuper seminar program was reviewed in 2003/2004 to evaluate content, delivery, quality, marketing and distribution, and feedback. The seminar program was extended, with 712 seminars conducted across 62 locations state-wide, reaching more than 22,000 members, representing a 14% increase in activity on 2002/2003. Seminar topics were expanded to include *How Much Super is Enough*, *Explore Your Super Retirement Options* and *Plan Your Financial Future with Q•Invest*. The expansion of the seminar program allowed QSuper to provide more seminars in a wider range of locations to give members more opportunity to learn about a range of superannuation related topics. The regional program visited 50 locations throughout Queensland, offering a greater selection of seminar topics and times to provide wider choice for members. This restructure contributed to the increase in seminar attendance. The seminar program will be further improved in 2004/2005 to incorporate recommendations from the review.

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superannuation funds.



## Real service

Our members are important to us, and again, it shows in our service. As one of our members described it recently: “The way I have been treated by QSuper with my enquiries can be described as nothing short of excellent.”

# Real service

Many financial institutions talk about providing service, but at QSuper we provide real service and professional expertise to our members. Our popular seminars are free, our website lets members check their accounts at any time, day or night, and when members call us or come in to see us, they can speak to a real person who has the knowledge to answer their question.

As one of Australia's largest superannuation funds, QSuper's services reach thousands of Queenslanders. More than 37,000 new members joined QSuper in 2003/2004. Around 9,900 members started making voluntary contributions to grow their retirement savings, and more than 1,400 members opened accounts for their spouses during the year.

The enhanced online services have seen a slight drop in face-to-face and telephone enquiries. Telephone enquiries handled by Member Services dropped by around 4% to just under 220,000, and the Member Service Centre dealt with some 16,000 member enquiries during the year, down 8%.

The financial planning arm of QSuper, Q•Invest, also underwent expansion during the year. The growing demand for Q•Invest services was met by an expanded CBD presence at Central Plaza 2 in the heart of Brisbane's financial district, and a larger range of products and services. Q•Invest provides a comprehensive retirement planning service, including advice on issues like superannuation, taxation, social security, investment options, and much more. The financial planners at Q•Invest know and understand the needs and requirements of public sector employees and allow members to continue the partnership they have established with QSuper during their career. Q•Invest services are provided at no additional cost for QSuper members.

QSuper mailed 18,000 members with details of potential entitlements under the Commonwealth Government co-contribution scheme. Legislation passed in November 2003, provides that the Commonwealth Government will match undeducted personal contributions of up to \$1,000 per annum for members with a taxable income of \$27,500 or less. Over 2,500 members started contributing or making extra voluntary contributions during the financial year to enhance their retirement benefits.

It's not just members who benefit from QSuper's service innovations. Our Internet-based Employer Data Collection System, introduced in 2002/2003, has proven to be a resounding success, with 94% of all employer payroll units now submitting their data online. The system expedites the processing of employer contributions by allowing employers to submit, validate, and correct their superannuation contribution information via a secure electronic medium, accessed from the QSuper website.

QSuper also implemented a range of initiatives for employing agencies and members, designed to enhance the service provision of insurance benefits. The initiatives have a common theme of enhanced communication and information gathering, to facilitate continuous improvement of the claims management process.

One of those initiatives, the establishment of a joint QSuper/agency approach, has resulted in an increased awareness amongst agencies of QSuper's internal processes, requirements, and claims assessment criteria, while QSuper is now more aware of agency processes such as return to work, redeployment, and claimant-related action. In many cases, the shared information resulting from this initiative has enabled the development of tailored case management approaches and an earlier resolution of the claim.

Our members are important to us, and again, it shows in our service. As one of our members described it recently: "The way I have been treated by QSuper with my enquiries can be described as nothing short of excellent."

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CONTROL

Chief Executive Officer's report

# Chief Executive Officer's report



The Government Superannuation Office (GSO) is part of the Queensland Treasury portfolio, and manages more than \$25 billion of superannuation investments and reserves for more than 418,000 current and past Queensland Government employees, and their spouses. The GSO's primary focus is to serve the membership of the superannuation funds it administers: QSuper (State Public Sector Superannuation Fund) and the Parliamentary Contributory Superannuation Fund, as well as the pensioners under the Queensland Judges' Pension Scheme. In addition, the GSO manages the Queensland Government's Long Service Leave Scheme.

As an organisation, the GSO aims to be a leading superannuation provider, offering a range of cost-effective products and effective education services that meet the needs of members.

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

A significant focus of the past year has been the consolidation of business processes and systems to deliver consistent quality service to members and the Board of Trustees. This focus has resulted in the GSO delivering key member services more timely and with greater consistency. In respect of the key member delivery areas of servicing member phone enquiries and paying members' benefits, the GSO has met or exceeded its service standards.

The 2003/2004 financial year also saw the introduction of a number of new initiatives within the GSO, including a new performance management framework, a centralised portfolio management office, Six Sigma process improvement methodology and QDos, a change process to reinforce and build a service delivery culture. Each of these initiatives are to build on the strong foundations which have supported QSuper over time.

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## Process improvements

were also made in a number of other areas throughout the GSO. The Benefit Quotes project implemented significant efficiency and accuracy gains through a self-validation functionality, which has removed the necessity to check all quotes, and has added functionality to automatically generate quotes for a wider range of scenarios.

## Process improvement

In the 2003/2004 year, the GSO's project expenditure totalled \$3.5 million. To ensure that members receive the maximum benefit from this spend, the GSO established a portfolio management office (PMO) in May 2004. The objective of the PMO is to enhance the processes by which the GSO selects, monitors, and delivers projects and benefits.

Six Sigma is a leading process improvement methodology that provides tools to improve business processes from a customer perspective. The methodology draws on business and statistical techniques to improve process performance, reduce errors, and decrease quality variation, and will be applied to operational and member centric processes within QSuper. The organisational design and training plan was developed during 2003/2004, and project selection will occur early in 2004/2005.

Process improvements were also made in a number of other areas throughout the GSO. The Benefit Quotes project implemented significant efficiency and accuracy gains through a self-validation functionality, which has removed the necessity to check all quotes, and has added functionality to automatically generate quotes for a wider range of scenarios.

The Workflow and Document Management System, which incorporated online audit checks and quality verifications, was finalised in 2003/2004. This system, which automates several previously manual operation functions, has improved the quality of service delivery and enhanced systematic claims validations. This has resulted in significant improvements to the transaction times involved in processing member benefit claims and investment switches.

The General Ledger and Bank Reconciliation system project, which will implement a new general ledger and bank reconciliation module separate from the administration system, was started during the year. This will improve controls on the bank reconciliation process, increase the integrity and timeliness of reporting, and provide operational efficiencies.

## Research and strategy

A primary focus of the Office is supporting QSuper members in understanding the benefits of remaining with QSuper after they retire or leave employment. Various marketing and communication initiatives, including enhancements to our extensive seminar program, were undertaken to ensure this message was understood in the face of increased competition from other institutions and self managed superannuation funds.

Significant work has been undertaken on enhancing how we analyse and report member behaviour when members finish employment or retire. These enhancements provide more consistent and relevant information which enables the Trustees to measure retention over time.

The GSO undertook a number of market research studies on behalf of QSuper, exploring specific areas such as internet usage, the behaviour of key clusters of members, and member comprehension of communication initiatives. A large scale general study of the membership was also completed covering a number of areas and providing a value factor for future benchmarking. Results of these various studies have been used to drive strategic initiatives in 2004/2005, such as enhancements to products and services and operational solutions to issues.

A major review of communication is underway to ensure maximisation of message effectiveness and efficiency. QSuper is regarded as an industry leader in the field of communication and member education and for the second year in succession, was presented with an award for excellence in communication by the Association of Superannuation Funds of Australia. The communication review, which will be completed during 2004/2005, will further strengthen QSuper.

## Organisational culture, training and development

In October 2003, the *QDos* value system was announced as an initiative to develop and instill a culture of excellence within the GSO. The name *QDos* was suggested by staff and is a homophone of *kudos*, meaning acclaim or glory associated with exceptional achievement. It describes what the GSO and QSuper strive for and promotes an enhanced focus of our employees on:

- **Members**  
Whatever we do, we ultimately do for members;
- **Innovation**  
We have an obligation to continue to innovate to develop the best possible products and service;
- **Delivery**  
We will deliver reliably and consistently and exceed expectations; and
- **Professionalism**  
We will set the bar high and help each other attain goals, learn, contribute, and respect colleagues.

In March 2004, an inaugural “*QDos* Day” with 50 staff members explored the translation of *QDos* values into everyday workplace behaviours.

Supporting our commitment to our staff, the GSO has introduced a new performance management system and competency outcome based position description format to enhance the performance management culture in 2003/2004. As a key element, this involved a management commitment to ensure monthly “one on one” feedback meetings, in addition to a formal annual performance appraisal process between all employees and managers. The framework will be fully implemented in 2004/2005, with the new style performance appraisals to be held in December 2004.

QSuper voluntarily complies with the provisions of the *Financial Services Reform Act* (2001) (FSR Act). Under the FSR Act, employees providing certain advice in superannuation need to demonstrate both generic knowledge and superannuation specialist knowledge. A specific training initiative was established to ensure compliance and by June 2004, 37 staff in Member Services and ten staff in Superannuation Policy had been certified. Further training will be conducted during 2004/2005 to increase the number of compliant staff in the GSO.

I would like to thank all staff of the GSO, whose continued commitment to the development of innovative solutions has ensured the GSO's position at the leading edge of service in the superannuation industry during 2003/2004 and beyond.



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



### **QDos**

*QDos* is a homophone of the word *kudos*, which means the acclaim or glory associated with exceptional achievement. It describes what we strive for and forms the foundation behind the culture we would like to flow through QSuper — *the Spirit of QSuper*.

### **For their future**

This statement links to QSuper's positioning statement of *Financing your future*. *For their future* reminds us everything we do impacts on the products and services we provide for our members. The quality of our members' future lifestyles will be hugely affected by how we perform for them.

### **Members**

Who we need to serve. Whatever we do, we ultimately do for them. We want to help our members have a better life in retirement.

### **Innovation**

QSuper is one of Australia's leading superannuation funds. To ensure our members continue to have the Fund they deserve, we have an obligation to continue to innovate and develop the best possible processes and products.

### **Delivery**

We will deliver reliably and consistently. If we can deliver earlier, if we can deliver at less cost, if we can deliver more than expected, then we will.

### **Professionalism**

We will set the bar high and we will help each other to climb over it. We will respect our colleagues, learn from them, give our best and make a contribution.

# Organisational structure

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

The Chief Strategy Officer oversees the functions that focus on supporting stakeholders and leading the development of strategy and initiatives to progress QSuper and the GSO. These functions include the education and retention of members, the development of new products and services, and the monitoring and provision of advice on both policy and investment matters.

## Chief Operating Officer

The Chief Operating Officer oversees and integrates the external service provision functions of the GSO to ensure high quality, cost effective service provision to members. This encompasses telephone, face-to-face, and seminar services, the administration of member accounts, cashflow management, forecasting and investment reconciliation, and determinations over death and disability benefits for members.

## Chief Financial Officer

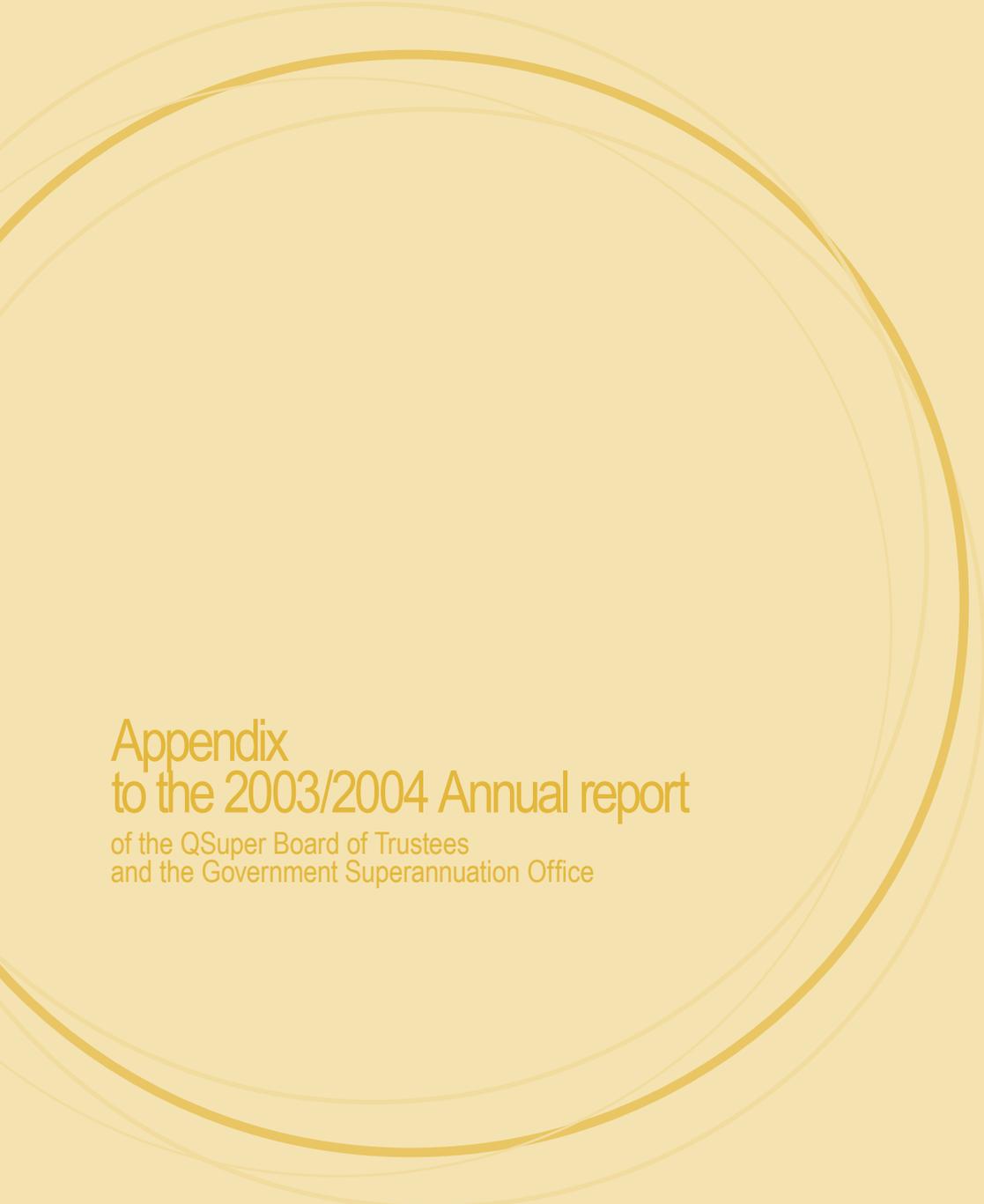
The Chief Financial Officer provides leadership and strategic direction across the internal service delivery areas of the GSO. This includes financial analysis and advice, the planning, development and implementation of information technology solutions, and the provision of human resources, corporate, and business administration services.

# GSO

## financial summary

	('000)
<b>Revenues from ordinary activities</b>	
Administration fees	\$43,118
Interest	\$330
Other revenue	\$428
<b>Total revenues from ordinary activities</b>	<b>\$43,876</b>
<b>Expenses from ordinary activities</b>	
Employee expenses	\$21,810
Financial planning fees	\$7,255
Corporate service fees	\$2,347
Postage and printing	\$1,933
Depreciation and amortisation	\$2,053
Rental expense – operating lease	\$1,518
Consultancy	\$1,234
Computer charges and operating costs	\$1,430
Auditors' remuneration	\$403
Other expenses	\$2,928
<b>Expenses from ordinary activities</b>	<b>\$42,911</b>
<b>Net surplus for the operating period</b>	<b>\$965</b>

For further information refer to the detailed financial statements.



Appendix  
to the 2003/2004 Annual report

of the QSuper Board of Trustees  
and the Government Superannuation Office

## RISK MANAGEMENT

*QSuper has a proactive program in place to monitor controls over management, business, accounting, and computer systems to ensure that risks to members' benefits from fraud, inaccuracy, or breakdown are appropriately managed. The board and management regularly review business risks and risk mitigation strategies.*

### QSuper risk management framework

The QSuper risk management framework is compliant with AS/NZS 4360:1999 risk management standard and is based on three main principles:

- understanding and valuing risks;
- aligning risk management with the corporate governance structure; and
- implementing and operating a risk monitoring system.

The program consists of three review programs:

1. GSO internal risk management program;
2. GSO compliance management program; and
3. KPMG internal audit program

#### 1. GSO internal risk management program

The GSO internal risk management plan consists of a regular review of the major risks outlined in the risk register, and the completion of risk management checks in conjunction with the scheduled risk program.

The risk profile of QSuper will continue to evolve after the completion of the various reviews, and will be reviewed regularly to ensure that emerging risks are identified and considered as appropriate. The program includes a certification by the Chief Strategy Officer, Chief Operating Officer, and Chief Financial Officer, that controls are operating in their areas of responsibility.

The main categories of risks identified within the risk register are: governance, investments, fund and product design, operational, outsourcing, and compliance.

#### 2. GSO compliance management program

The Board has a systematic compliance approach carried out under the direction of the GSO Audit and Compliance Program, with quarterly reports provided to the Committee. The program reviews all aspects of the QSuper operations, and is regularly updated to include recent changes to legislation, and to incorporate contemporary audit practices. The program incorporates a verification of the various components of the following areas: Trustee responsibilities, governing rules, disclosure, administration, family law, investments, taxation, financial services reform, record keeping, financial management, electronic commerce, business continuity plan, privacy, and procedure manuals.

#### 3. KPMG internal audit program

The objective of the internal audit function performed by KPMG for QSuper is to provide innovative, responsive, effective, and value-adding internal audit reviews, by assessing the effective management of the significant business risks within QSuper. The internal audit plan focuses on the core business processes and is developed using the results from the annual business risk assessment workshop, a forum attended by all senior management.

Audits were conducted in the following areas during the 2003/2004 financial year: annual benefit statements, contributions, claims and benefits, investments, pensions, corporate, information systems, integrity of information supplied to members, and corporate governance.

An integrity assessment was also completed during the year with an overall pleasing outcome. It indicated various areas for improvement and appropriate steps are being taken to address the results of the assessment.

## CORPORATE GOVERNANCE

*The Board of Trustees of QSuper and the management of the GSO are committed to achieving and demonstrating a high standard of corporate governance. Corporate governance is driven by the Board's responsibilities to act in good faith, with prudence, and in the members' best interests in respect of the investment and administration of the scheme.*

The main corporate governance practices established by the Board for 2003/2004, are detailed below.

### Employer representatives

#### **Gerard Bradley, Chairman**

Appointed: August 1998

Gerard Bradley is the Under Treasurer and Under Secretary of Queensland. He was appointed in August 1998 and has 25 years experience in the Queensland and South Australian Treasury departments. Board memberships include Deputy Chair, Queensland Treasury Corporation; and Director, Queensland Treasury Holdings Pty Ltd.

#### **Linda Apelt**

Appointed: 1 December 2001

Linda Apelt is Director-General of the Department of Communities and Disability Services Queensland and was formerly Director-General of the Department of Housing. She is Chair of both the Board of the Australian Institute of Health and Welfare and Audit Committee and the Corporate Link Audit Committee.

#### **Terri Hamilton**

Appointed: 1 June 2000

Terri Hamilton is the Managing Director of MAP Funds Management and a member of the Queensland Executive of the Association of Superannuation Funds of Australia.

#### **Tony Hawkins**

Appointed: 1 December 2001

Tony Hawkins is the CEO of WorkCover Queensland. He has 7 years insurance experience with the AXA Group and 14 years mining experience at CSR. Mr Hawkins is currently on the Workplace Health and Safety Board and is a Certified Practising Accountant.

#### **Helen Ringrose**

Appointed: 1 June 2000

Helen Ringrose is Director General of the Department of Tourism, Fair Trading and Wine Industry Development. She has previously held senior positions with the Brisbane City Council and Victorian State Government, been a Director of a number of Boards and been a Trustee of Brisbane City Council's "CitySuper".

### Member representatives

#### **Chris Barrett**

Appointed: 20 April 2001

Chris Barrett is the Assistant General Secretary for the Queensland Council of Unions and was a Director of HostSuper from 1991 to 1995, and 2000. He is also a member of the Training Recognition Council and the Open Learning Institute Council for the Department of Employment and Training.

#### **Karen Peut**

Appointed: 28 May 1985

Karen Peut is the Executive Director (Roads Programs), Department of Main Roads and life member of the Queensland Public Sector Union. Ms Peut is a Director of Queensland Motorways Limited.

#### **Steve Ryan**

Appointed: 1 June 1994

Steve Ryan is the Vice-President of the Queensland Teachers' Union and has been an Executive Manager of the Union since 1993 and a Senior Officer of the Union since 2000. He is also a Director of Q•Invest Limited.

#### **Garry Ryan**

Appointed: 28 June 2002

Garry Ryan is the Queensland Branch President and Southern District Secretary of the Australian Workers' Union (AWU). He is also a member of the Queensland Workplace Health and Safety Board, the Workers' Compensation Regulatory Authority (Q-COMP) and the Austsafe Superannuation Board.

#### **Gary Wilkinson**

Appointed: 1 August 1997

Gary Wilkinson is the General President of the Queensland Police Union. Mr Wilkinson is also a member of the Board of the Police Federation of Australia

### Board and management responsibilities

The Board meets on a monthly basis, with 12 meetings being held during the 2003/2004 financial year. In addition, the Board undertakes an annual workshop in August of each year to review the performance of QSuper, consider strategic issues, and conduct business planning.

QSuper has established policies and procedures designed to ensure that the Board, management, and staff meet high standards of professionalism and integrity and adhere to relevant industry standard and legal requirements.

The responsibilities for the operation and administration of QSuper are delegated by the Board to the Chief Executive Officer of the GSO and the executive team. The Board ensures that this team is appropriately qualified and experienced to discharge their responsibilities, and has in place procedures to assess the performance of the Chief Executive and the executive team.

## Board committees

To assist the Board in fulfilling their responsibilities, several committees operated during 2003/2004. The committees were formulated recognising that it is not possible to debate fully all business issues within the context and duration of a Board meeting. Whilst committees have specific membership, other Trustees are able to attend where desired.

### GSO Audit and Compliance Committee

The GSO Audit and Compliance Committee, comprising Mr Tony Hawkins (Chair), Mr Tim Spencer (Deputy Trustee), Ms Rosemary Vilgan, Ms Lyn Melcer, and Mr Barry Cook review matters relevant to financial disclosure, corporate risk management, compliance, and internal and external audit functions. The Committee is a joint QSuper/GSO committee, on the basis that the GSO is a service provider to a number of clients.

The Committee aims to ensure that financial controls and systems address key business risks and are of a high standard. Each committee member has significant business and financial services experience.

KPMG conducts internal reviews to examine the adequacy of internal controls and measure compliance with Board and management policies and external regulatory requirements. An internal audit plan is developed, taking into account risks to QSuper, the GSO, and other clients. The Audit and Compliance Committee monitors the plan and outputs.

The Auditor-General of Queensland is the external auditor of QSuper, and the Committee considers the external audit reports, management representations, and monitors action by management in respect of these reports.

### Marketing and Communication Committee

This Committee, a sub-committee of the QSuper Board of Trustees, reviews marketing strategies and timeframes for strategy implementation, and also reviews QSuper member documents. The Committee consists of Mr Steve Ryan (Chair), Mr Merv Bainbridge, and Ms Terri Hamilton.

### Insurance Management Committee

This Committee, a sub-committee of the QSuper Board of Trustees, established in February 2003, oversees insured products of QSuper, and considers new initiatives and the strategic direction of claims management. The Committee consists of Mr Chris Barrett (Chair), Mr Merv Bainbridge, Mr Tony Hawkins, Ms Karen Peut, and Mr Garry Ryan. Committee meetings are held before or after the Board meeting.

### Fund Conditions Committee

This Committee, a sub-committee of the QSuper Board of Trustees, meets as required, to review and develop QSuper conditions, and investigate and initiate the development of products and services to meet QSuper member needs. The Committee is currently comprised of Ms Karen Peut (Chair), Ms Helen Ringrose, and Mr Steve Ryan. No meetings were held in the 2003/2004 financial year.

## Meeting attendance record

Trustee	Board Meetings		GSO Audit and Compliance Committee		Marketing and Communications Committee		Insurance Management Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
G. Bradley*	12	12	5	3	-	-	-	-
T. Hamilton	12	12	-	-	1	1	-	-
L. Apelt	12	11	-	-	-	-	-	-
H. Ringrose	12	12	-	-	-	-	-	-
T. Hawkins	12	12	5	5	-	-	2	2
S. Ryan	12	12	-	-	1	1	-	-
K. Peut	12	11	-	-	-	-	2	2
C. Barrett	12	11	-	-	-	-	2	2
G. Ryan	12	10	-	-	-	-	2	2
G. Wilkinson**	12	11	-	-	1	1	2	2

\* G. Bradley's deputy, T. Spencer, attends the GSO Audit and Compliance Committee meetings.

\*\* G. Wilkinson's deputy, M. Bainbridge, attends the Board and Committee meetings.

### Other GSO committees

The Executive Committee, chaired by the Chief Executive Officer, consists of the Chief Executive Officer, Chief Financial Officer, Chief Operational Officer, and Chief Strategy Officer. The committee is responsible for addressing strategic corporate issues and providing assistance and advice to the Chief Executive Officer and the Board of Trustees.

The Operational Review Board, chaired by the Chief Executive Officer, consists of the Executive Committee and the General Managers from each of the business units within the GSO. It is a forum to address operational issues across the GSO, and monitor performance indicators.

The Portfolio Review Board, chaired by the Chief Financial Officer, consists of the Executive Committee, the Manager - Portfolio Management Office, and the General Manager - Business Solutions & Technology. It is responsible for monitoring the GSO's portfolio of projects.

### Board Code of Conduct

A written Code of Conduct was introduced in 2003 to guide the QSuper Board of Trustees on ethical and behavioural expectations.

QSuper has included in its Code of Conduct the procedures for the Board in relation to conflict of interest. To identify and resolve any conflicts of interests, Board members must disclose potential conflicts of interests and may be excluded from participating in Board matters where a potential conflict exists.

## GSO Code of Conduct

GSO staff are bound by Queensland Treasury's Code of Conduct, as well as specific public sector legislation.

## Risk management

Risk management underpins corporate governance within QSuper. The Board and management have endorsed risk management processes that assist in proactively identifying and managing risks exposed to the business.

## Corporate governance best practice

QSuper is committed to best practice in corporate governance practices, and corporate governance procedures are continually reviewed and improved to reflect industry guidelines and recommendations.

## Other matters

No significant matters or circumstances arose during 2003/2004 that significantly affected the operations, the results of operations, or the state of affairs of the business.

## 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

### QInvest 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

Don Kofoed – Member, Queensland Executive Committee

### Fund Executives' Association Limited

Rosemary Vilgan – Director

## Major Service Providers

### Internal Auditor

KPMG

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General Purpose  
**Financial Statements**  
State Public Sector Superannuation Fund  
for the year ended 30 June 2004

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## Statement of Net Assets

### for the year ended 30 June 2004

	Notes	2004 \$'000	2003 \$'000
<b>ASSETS</b>			
<b>Cash</b>	1(b)	7,470	14,000
<b>Receivables</b>			
Employer contributions receivable	1(c), 1(k)	3,004	9,363
Member contributions receivable	1(c), 1(k)	1,070	2,127
GST receivable	1(c), 1(d)	325	486
Interest receivable	1(c)	161	135
Sundry receivables and prepayments	1(c)	1,487	106
		<b>6,047</b>	12,217
<b>Investments</b>			
Investments in unit trusts - QIC	1(e), 3	13,060,676	9,803,617
Investment in Q*Invest Limited	1(e), 4	2,300	1,800
		<b>13,062,976</b>	<b>9,805,417</b>
<b>TOTAL ASSETS</b>		<b>13,076,493</b>	<b>9,831,634</b>
<b>LIABILITIES</b>			
<b>Payables</b>			
Benefits payable	1(f)	11,557	10,799
Administration and investment management fees payable	1(g), 13	4,758	7,123
Sundry payables	1(g)	532	402
		<b>16,847</b>	<b>18,324</b>
<b>Tax liabilities</b>			
Current tax liabilities	1(h)	24,676	40,338
Provision for deferred income tax	1(h)	475	1,437
Provision for superannuation contributions surcharge	1(i)	53,379	41,379
		<b>78,530</b>	<b>83,154</b>
<b>TOTAL LIABILITIES</b>		<b>95,377</b>	<b>101,478</b>
<b>NET ASSETS AVAILABLE TO PAY BENEFITS</b>		<b>12,981,116</b>	<b>9,730,156</b>
<b>Represented by:</b>			
Reserves	7	225,107	131,553
Accumulated funds	8	12,756,009	9,598,603
<b>NET ASSETS AVAILABLE TO PAY BENEFITS</b>		<b>12,981,116</b>	<b>9,730,156</b>

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

## Statement of Changes in Net Assets

### for the year ended 30 June 2004

	Notes	2004 \$'000	2003 \$'000
<b>NET ASSETS AVAILABLE TO PAY BENEFITS</b>			
<b>At the beginning of the financial year</b>			
		<b>9,730,156</b>	<b>9,483,731</b>
<b>Investment revenue</b>			
Distribution from unit trusts	1(k), 3	1,839,524	424,011
Change in net market value of investments	1(k), 9	86,648	(577,559)
Investment management fees	13(e)	(21,491)	(17,165)
Interest revenue	1(k)	673	679
		<b>1,905,354</b>	<b>(170,034)</b>
<b>Contribution revenue</b>			
Employer contributions	1(k), 10	1,618,541	801,866
Member contributions	1(k), 11	511,197	458,218
Transfers from other funds	1(k)	216,409	198,806
		<b>2,346,147</b>	<b>1,458,890</b>
<b>Other revenue</b>			
Insurance recoveries	1(k)	288	344
Sundry revenue	1(k)	564	396
		<b>852</b>	<b>740</b>
<b>Total revenue from ordinary activities</b>			
		<b>4,252,353</b>	<b>1,289,596</b>
<b>Less:</b>			
<b>Benefits paid</b>			
		<b>884,295</b>	<b>935,631</b>
<b>General administration expenses</b>			
Administration fee	13(c)	44,303	41,566
Superannuation contributions surcharge	1(i)	15,464	9,797
Insurance premiums		1,363	1,245
		<b>61,130</b>	<b>52,608</b>
<b>Total expenses from ordinary activities</b>			
		<b>945,425</b>	<b>988,239</b>
<b>Change in net assets before income tax</b>			
		<b>3,306,928</b>	<b>301,357</b>
Income tax expense	12	55,968	54,932
<b>Total change in net assets after income tax</b>			
		<b>3,250,960</b>	<b>246,425</b>
<b>NET ASSETS AVAILABLE TO PAY BENEFITS</b>			
<b>At the end of the financial year</b>			
		<b>12,981,116</b>	<b>9,730,156</b>

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

# Notes to the Financial Statements

## for the year ended 30 June 2004

### Note 1 Significant accounting policies

#### (a) Basis of accounting

##### *General*

These financial statements are a general purpose financial report which has been prepared in accordance with the provisions of the *Financial Administration and Audit Act 1977*, the *Superannuation (State Public Sector) Act 1990*, Australian Accounting Standard AAS25 "Financial Reporting by Superannuation Plans", other applicable Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board as adopted in the Queensland Government's *Financial Management Standard 1997* and Urgent Issues Group Consensus Views.

These financial statements have been prepared on an accrual and going concern basis. They have been prepared in accordance with the historical cost convention, except for the assets which are measured at net market value.

##### *Accounting policies*

Unless otherwise stated, all accounting policies applied are consistent with those of the prior year. Comparative information is reclassified where appropriate to enhance comparability.

##### *Rounding*

Unless otherwise stated, amounts have been rounded to the nearest thousand dollar.

#### (b) Cash

Cash represents cash at bank.

#### (c) Receivables

Receivables are carried at the nominal amount due and receivable. This value will approximate net fair value.

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

Where applicable, GST incurred by the Fund that is not recoverable from the Australian Taxation Office, has been recognised as part of the expense to which it relates. Receivables and payables are stated with any applicable GST included in the value. The amount of any GST receivable from, or payable to, the Australian Taxation Office is included as a receivable or payable in the Statement of Net Assets.

#### (e) Investments

The Fund maintains investments for the long-term purpose of providing benefits to members on their retirement, reaching a specified age, death or termination of employment. The Fund holds these investments in unit trusts. These investments are recorded at net market value. Under net market value, the investments are recorded at financial market prices less an allowance for costs expected to be incurred in realising the investments. Net market value equates to net fair value.

The Fund also has a 50% interest in Q•Invest Limited (Note 4) which is recorded at net fair value. The Board of Trustees (the Board) obtains an independent valuation of the net fair value of the investment on at least a triennial basis.

# Notes to the Financial Statements

## for the year ended 30 June 2004

### Note 1 Significant accounting policies (continued)

#### (f) Benefits payable

Benefits payable by the Fund are accounted for on an accrual basis. Benefits payable comprise the entitlements of members who have made a claim and, at year end, are awaiting payment under the terms and conditions of the QSuper Trust Deed and the *Superannuation (State Public Sector) Act 1990*.

#### (g) Payables

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

#### (h) Taxation

The Fund is an exempt public sector superannuation scheme and as such is deemed to be a complying fund within the provisions of the *Income Tax Assessment Act 1936 (Cwlth)*. Accordingly, the concessional rate of 15% has been applied.

Tax-effect accounting in accordance with the provisions of Australian Accounting Standard AAS3 "Accounting for Income Tax (Tax-effect Accounting)" has been adopted. Income tax expense is calculated on the accounting profit after allowing for permanent differences. To the extent timing differences occur between the time items are recognised in the financial statements and when items are taken into account in determining taxable income, the net realised taxation benefit or liability is disclosed as a future income tax benefit or a provision for deferred income tax. The future income tax benefit relating to timing differences is not carried forward as an asset unless the benefit is beyond reasonable doubt of being realised.

The provision for deferred income tax or future income tax benefit would be expected to be settled twelve months or more from the reporting date as it relates to investments which are maintained for a long-term objective.

#### (i) Superannuation contributions surcharge

Superannuation contributions surcharge is levied on surchargeable contributions on the basis of individual members' adjusted taxable income. The liability for the superannuation contributions surcharge is recognised when the assessment is received from the Australian Taxation Office as the Board considers this is when it can be reliably measured.

A liability has been recognised in the financial statements for the amount of surcharge assessments received but not paid, together with interest accrued on this amount.

#### (j) Liability for accrued benefits

##### *Defined benefit account*

The liability for defined benefit accrued benefits is actuarially measured on at least a triennial basis. This liability represents the Fund's obligation to pay benefits in the future, and is determined on the basis of the present value of expected future payments which arise from membership of the scheme up to the measurement date. The figure is determined by reference to expected future salary levels and by application of a market-based, risk-adjusted discount rate and relevant actuarial assumptions.

##### *Accumulation account*

The liability for accumulation accrued benefits represents the Fund's present obligation to pay benefits to members and has been calculated as the difference between the carrying amount of the assets and the liabilities of the Fund as at the reporting date.

# Notes to the Financial Statements

## for the year ended 30 June 2004

### Note 1 Significant accounting policies (continued)

#### (k) Revenue

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

- Distribution income is accounted for on an accrual basis. Distribution income is recognised when the Fund becomes presently entitled to the trust income;
- Changes in net market value of assets are recognised in the periods in which they occur. The changes in net market value include both realised and unrealised movements, net of the allowance for costs expected to be incurred in realising the investments;
- Employer and member contributions are brought to account as received. At year end an accrual is recognised for any contributions which relate to whole pay periods ending prior to 30 June but which are received after year end;
- Transfers from other funds and insurance recoveries are brought to account when received; and
- Interest income and sundry revenue is accounted for on an accrual basis.

#### (l) Adopting Australian equivalents of International Financial Reporting Standards

The Fund has commenced transitioning its accounting policies and financial reporting from current Australian Standards to Australian equivalents of International Financial Reporting Standards ("IFRS"). An IFRS working group has been established to identify key areas that will be affected by the transition to IFRS. Compliance with AAS 25 "Financial Reporting by Superannuation Plans" precludes the Fund from complying with certain IFRS, therefore adoption of IFRS is not expected to have a significant impact on the financial statements, however a dollar value of the impact cannot be reliably estimated at the time of this report.

As at 30 June 2004, the working group has reviewed all of the International Financial Reporting Standards released by the Australian Accounting Standards Board, assessed and addressed each of the areas in order of priority, and reported potential impacts and conclusions to management on a regular basis.

The main change is expected to be in relation to tax effect accounting. The concept of timing and permanent differences will be replaced with a balance sheet approach giving rise to temporary differences. This may permit the recognition of deferred tax assets or liabilities not previously recognised. Also a 'probable' test will replace the current 'virtual certainty' test for recognition of tax losses. This may also result in the recognition of additional deferred tax assets. The differences in recognition cannot be reliably measured at this point in time.

### Note 2 Operation of the Fund

The Fund has been established by the *Superannuation (State Public Sector) Act 1990* to provide benefits for Queensland Public Sector employees and employees of Queensland Government entities, such as statutory authorities and government owned enterprises. The Fund consists of both defined benefit and accumulation accounts.

# Notes to the Financial Statements

## for the year ended 30 June 2004

### Note 2 Operation of the Fund (continued)

The Fund receives all member superannuation contributions. The Fund also receives employer contributions through a mixture of regular employer contributions and payments from the Consolidated Fund (refer Note 11). Contribution rates in relation to the Fund's defined benefit funding are determined by the Treasurer on the advice of the State Actuary. The funding arrangements are explained in Note 11.

The Fund is administered by the Government Superannuation Office, a portfolio office of Queensland Treasury.

### Note 3 Investment in unit trusts

	Note	2004 \$'000	2003 \$'000
Queensland Investment Trust (QIT) No. 1	(i)	5,091,753	3,543,938
Queensland Investment Trust (QIT) No. 2	(ii)	5,729,624	4,399,172
QIC Property Fund	(iii)	1,200,099	1,097,179
QIC Cash Fund	(iii)	50,160	559,848
QIC Cash Enhanced Fund No.2	(i)	623,636	-
QIC High Growth Fund	(i)	365,404	203,480
Investments in unit trusts – QIC		<b>13,060,676</b>	<b>9,803,617</b>

(i) Funds held in relation to allocated pension and accumulation account members.

(ii) Funds held in relation to defined benefit members only.

(iii) Funds held in relation to all three member categories.

#### Investments held with QIC

The Board determines the investment objectives and strategy of the Fund. QIC is the legislated fund investment manager and is responsible for implementing the investment strategy. QIC provides regular reports on the Fund's investments to the Board

The QIC Cash Enhanced Fund No. 2 was introduced on 6 November 2003 and its objective is to exceed the performance of the Australian short term interest rate market by investing in a diversified, moderate risk, portfolio of money market and fixed interest securities.

The Board has authorised QIC's use of other specialist investment managers. This approach recognises the diversification advantages of employing a range of select investment specialists. The investment managers utilised are listed below:

# Notes to the Financial Statements

## for the year ended 30 June 2004

### Note 3 Investment in unit trusts (continued)

#### International equities

Barclays Global Investors Australia Ltd (US)  
DSI International Management Inc (US)  
Deutsche Asset Management (Australia) Ltd (US)  
Fiduciary Asset Management (US)  
Fidelity International Ltd (Europe)  
Oechsle International Advisors LLC (Europe)  
Martin Currie Investment Management Ltd (Japan)  
AXA Rosenberg Investment Management Ltd (Europe)  
Goldman Sachs JBWere Investment Management Pty Ltd (Japan)  
New Star Institutional Managers Ltd (Japan)  
GMO Australia

#### Domestic equities

Alpha Investment Management Pty Ltd  
Macquarie Investment Management Ltd  
Maple-Brown Abbott Ltd  
Perennial Value Management Ltd  
Portfolio Partners Ltd  
Schroder Investment Management Australia Ltd  
WestLB Asset Management (Australia) Pty Ltd

#### Global fixed interest

CDC IXIS Asset Management Australia Limited  
BlackRock Financial Management Inc. (US)  
Rogge Global Partners PLC (Europe)  
PIMCO Australia Pty Ltd (Australia)  
Western Asset Management Company Ltd (Europe)

#### Active currency

Bridgewater Associates Inc (US)  
Deutsche Asset Management (Australia) Ltd  
JP Morgan Fleming Asset Management (UK) Ltd

### Note 4 Investment in Q•Invest Limited

During the year, the Fund invested an additional \$500,000 in Q•Invest Limited. At 30 June 2004, the Fund holds a 50% interest in Q•Invest Limited. Q•Invest Limited's principal activities consist of acting as a licensed dealer in securities, providing financial planning advice and acting as responsible entity for the Q•Invest Investment Access Funds.

The reported value of the investment as at 30 June 2004 is based on an independent valuation of the net fair value of Q•Invest Limited as at 30 June 2002 (refer Note 1(e)). The Board considers it is reasonable to use this valuation as at 30 June 2004.

# Notes to the Financial Statements

## for the year ended 30 June 2004

### Note 5 Liability for accrued benefits

The last actuarial review of the Fund was conducted as at 30 June 2001 by the State Actuary, Mr W H Cannon BSc (Hons) FIAA. The value of accrued benefits as at that date was \$19,195,855,000. A summary of this, the most recent actuarial report prepared for the Fund is attached to, but does not form part of, these financial statements. The summary includes the State Actuary's opinion as to the financial condition of the Fund as at that date.

The difference existing between net assets available to pay benefits per the Statement of Net Assets and the value of accrued benefits as at measurement date is explained by the Fund's funding arrangements. Further details are provided in Note 11.

The next actuarial review of the Fund will be performed as at 30 June 2004. The results of this review will be reported in the 30 June 2005 financial statements.

### Note 6 Vested benefits

Vested benefits are benefits that are not conditional upon continued membership of the Fund (or any factor other than resignation from the scheme) and include benefits which members were entitled to receive had they terminated their Fund membership as at the reporting date.

	2004 \$'000	2003 \$'000
Vested benefits	<u>25,980,462</u>	<u>22,672,499</u>

The difference between net assets available to pay benefits and the value of vested benefits as at reporting date is explained by the Fund's funding arrangements (refer Note 11).

### Note 7 Reserves

	Balance at beginning of financial year \$'000	Transfers to/(from) reserve \$'000	Balance at end of financial year \$'000
General	90,546	69,513	160,059
Investment fluctuation	(1,308)	651	(657)
Insurance	42,315	23,390	65,705
Reserves	<u>131,553</u>	<u>93,554</u>	<u>225,107</u>

General reserve – this reserve is used to pay expenses such as income tax liabilities and general administrative expenses of the Fund.

Investment fluctuation reserve – this reserve is held to absorb investment variations which may be caused by the delay between when member funds are receipted or an investment switch is requested by a member and when the transaction is processed and allocated to the member's selected investment option.

Insurance reserve – the Fund provides death, disability and income protection benefits to members. These benefits are greater than the members' vested benefit. This reserve holds insurance premiums collected from members to meet these Fund expenses. The premium rates are reviewed by the State Actuary and set by the Board.

# Notes to the Financial Statements

## for the year ended 30 June 2004

### Note 8 Accumulated funds

	2004 \$'000	2003 \$'000
Balance at the beginning of financial year	9,598,603	9,395,948
Total change in net assets after income tax	3,250,960	246,425
Transfers to/(from) reserves	(93,554)	(43,770)
Balance at end of financial year	<u>12,756,009</u>	<u>9,598,603</u>
Represented by:		
Accumulated member funds	11,722,918	9,215,297
Accumulated employer funds	1,033,091	383,306
Accumulated funds	<u>12,756,009</u>	<u>9,598,603</u>

### Note 9 Change in net market value of investments

The change in net market value of investments comprises net realised and unrealised changes in the value of investments in unit trusts. The change in net market value of investments also includes unrealised changes in the net market value of the Fund's 50% interest in Q\*Invest Limited.

	2004 \$'000	2003 \$'000
Change in net market value of investments	<u>86,648</u>	<u>(577,559)</u>

### Note 10 Employer contributions

	2004 \$'000	2003 \$'000
<i>Accumulation account</i>		
Employer contributions	462,197	375,026
<i>Defined benefit account</i>		
Employer contributions – salary sacrifice	179,505	141,840
Employer contributions – Consolidated Fund	976,839	285,000
	<u>1,156,344</u>	<u>426,840</u>
Employer contributions	<u>1,618,541</u>	<u>801,866</u>

Employer salary sacrifice contributions in the defined benefit account represent standard contributions members have chosen to salary sacrifice. Salary sacrificed contributions are classified as employer contributions. For further details in relation to employer contribution funding arrangements, refer Note 11.

# Notes to the Financial Statements

## for the year ended 30 June 2004

### Note 11 Funding arrangements

#### *Defined benefit arrangement*

Standard members' contributions are made to the State Public Sector Superannuation Fund at a rate ranging from 2% to 9% (2003: 2% to 9%) of members' salaries.

Employing authorities are required to remit employer contributions to the Queensland Treasury. These contributions are accumulated in a reserve in the Consolidated Fund, which is maintained to finance the State's future liability for the employer component of all benefits. The Treasurer determines the rate of employer contribution on the advice of the State Actuary following each actuarial valuation.

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

Funding from the Consolidated Fund may be in the form of last minute funding received at the time the benefit is paid (as described in the *Superannuation (State Public Sector) Act 1990* and in various sections of the *Superannuation (State Public Sector) Deed* dated 14 June 1990 (as amended)). Alternatively, the Act allows the transfer of amounts from the Consolidated Fund to the State Public Sector Superannuation Fund in circumstances and at times other than funding the immediate payment of benefits. A transfer of this nature occurred on 7 May 2004 when an amount of \$450 million was transferred to the State Public Sector Superannuation Fund from the Consolidated Fund.

#### *Accumulation arrangement*

Where members have chosen an accumulation style benefit, all member and employer contributions are paid to the Fund other than where a member transfers from the defined benefit account. In this instance, the benefit arising in relation to the defined benefit membership remains under the abovementioned last minute funding arrangement. Employer contributions to the Fund for members who do not contribute are at a rate ranging from 3% to 9% (2003: 3% to 9%) of members' salaries.

Accumulation account members who make their own member contributions at a rate ranging from 2% to 6%, receive employer contributions at a rate ranging from 9.75% to 12.75%. Non-core employers may choose to enter into special arrangements that may differ from these standard arrangements.

# Notes to the Financial Statements

## for the year ended 30 June 2004

### Note 12 Income tax expense

	2004 \$'000	2003 \$'000
Increase in net assets before income tax	3,306,928	301,357
Prima facie tax thereon at 15%	496,039	45,204
<i>Tax effect of permanent differences:</i>		
Benefits paid	132,644	140,345
Difference between accounting and taxation treatment of return on investments	(199,913)	75,434
Members' contributions	(75,617)	(67,348)
Transfers from other superannuation schemes	(31,330)	(28,712)
Pre-1 July funding credit	(160,833)	(45,605)
Notional premium for death or disability cover	(30,750)	(25,133)
Net imputation and foreign tax credits	(64,725)	(42,089)
Other permanent differences	(6,261)	8,513
	<u>59,254</u>	<u>60,609</u>
Over provision for taxation – prior years	(3,286)	(5,677)
Income tax expense	<u>55,968</u>	<u>54,932</u>

### Note 13 Related parties

#### (a) Trustees

The Trustees of the Fund as at 30 June 2004 were:

<i>Member representatives</i>	<i>Employer representatives</i>
Chris Barrett	Gerard Bradley
Karen Peut	Terri Hamilton
Steve Ryan	Linda Apelt
Garry Ryan	Helen Ringrose
Gary Wilkinson	Tony Hawkins

Any Trustee who is a member of the Fund contributes to the Fund on the same terms and conditions as other members.

Trustees who are non-Queensland Government employees or their employing organisations are paid a fee for attendance at Trustee meetings. This fee is set by the Cabinet.

#### (b) Employer sponsor

Employer funding arrangements are discussed in Note 11.

# Notes to the Financial Statements

## for the year ended 30 June 2004

### Note 13 Related parties (continued)

#### (c) Government Superannuation Office (GSO)

The GSO provides fund administration services to the Fund in accordance with the *Superannuation (State Public Sector) Act 1990* and is paid an administration fee for providing these services. The fee covers all administration costs including superannuation administration, audit, actuarial fees, legal fees, financial planning fees and medical costs. Administration fees paid to the GSO for the period totalled \$44,303,000 (2003: \$41,566,000).

#### (d) Q•Invest Limited (Q•Invest)

The Fund has a 50% ownership interest in Q•Invest. Q•Invest provides financial planning advice to Fund members. The Fund's administrator (GSO) pays Q•Invest financial planning fees under normal commercial terms in relation to these services.

Q•Invest Limited also acts as responsible entity for the Q•Invest Limited Investment Access Funds in which Fund members may invest.

#### (e) QIC

QIC is the Fund investment manager. It is a body corporate established under the *Queensland Investment Corporation Act 1991*. QIC holds the remaining 50% interest in Q•Invest Limited.

QIC receives payment for its investment services by way of a fee that is charged monthly, calculated on the daily value of funds under management. Fees paid to QIC for the period totalled \$21,491,000 (2003: \$17,165,000).

#### (f) Related party Fund members

Any employee of a related party who is also a Fund member contributes to the Fund on the same terms and conditions as other members.

### Note 14 Financial instruments

#### (a) General

The Board seeks information and advice from QIC on the performance of the individual asset classes of the Fund (and may also seek independent advice from other qualified persons) so as to form an opinion on the nature and extent of any risks, and the expected returns, associated with each investment prior to determining its suitability as an investment for the Fund. This includes receipt of a formal Risk Management Statement from QIC.

The Fund, via its investment in the QIC vehicle, has investments in a variety of financial instruments, including derivatives, which expose the Fund's investments to a variety of investment risks, including market risk, credit risk, interest rate risk and currency risk.

#### (b) Credit risk

The net market value of financial assets included in the Statement of Net Assets represents the Fund's exposure to credit risk in relation to those assets.

# Notes to the Financial Statements

## for the year ended 30 June 2004

### **Note 14 Financial Instruments (continued)**

#### **(c) Interest rate risk**

The Fund is exposed to interest rate risk through cash held in the bank account.

The Fund's investment manager invests in financial assets that are subject to interest rate risk. The returns on investment will fluctuate in accordance with movements in market interest rates.

#### **(d) Net fair value**

The Fund's financial assets are included in the Statement of Net Assets at net market value amounts that approximate net fair value. The methods of determining net market value are described in Note 1.

### **Note 15 Capital guarantee**

The Fund has underwritten to provide the members of the closed Voluntary Preservation Plan (VPP), a capital guarantee that the earning rate for a full financial year will not be negative. In return for this capital guarantee, VPP members are levied a premium on 30 June each year.

The accumulated premiums levied up to 30 June 2004 are \$9,188,000 (2003: \$8,690,000).

### **Note 16 Insurance**

Eligible employees of a small number of employers are covered by external insurance arrangements, whilst the majority of the Fund members have their insurance provided by the Fund on a self-insurance basis. Refer Note 7.

### **Note 17 Segment information**

The Fund operates solely in the business of provision of benefits to members and operates in Australia only.

### **Note 18 Commitments and contingent liabilities**

The Fund has no known material commitments or contingent liabilities as at 30 June 2004.

### **Note 19 Post balance date events**

There were no known material events which occurred subsequent to balance date.

# Statement of the Board of Trustees of the State Public Sector Superannuation Fund for the year ended 30 June 2004

In the opinion of the Board of Trustees of the State Public Sector Superannuation Fund:

1. the accompanying financial statements of the State Public Sector Superannuation Fund are properly drawn up so as to present a true and fair view of the net assets of the Fund as at 30 June 2004 and the changes in net assets for the year ended on that date;
2. the accompanying financial statements have been prepared in accordance with the provisions of the *Financial Administration and Audit Act 1977*, the *Superannuation (State Public Sector) Act 1990* and with Australian Accounting Standards and other mandatory professional reporting requirements in Australia;
3. the accompanying financial statements are in agreement with the accounts and records of the Fund and, the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
4. the Fund has been conducted in accordance with its constituent Trust Deed dated 1990 and the requirements of the *Superannuation (State Public Sector) Act 1990*.

G P Bradley  
Chairman

A J Hawkins  
Trustee  
Chairman of the Audit and  
Compliance Committee

R A Vilgan  
Executive Officer

Brisbane  
30 September 2004

# Independent Audit Report

## *to the Board of Trustees and Members of the State Public Sector Superannuation Scheme*

### **Matters relating to the electronic presentation of the audited financial statements**

The audit report relates to the financial statements of the State Public Sector Superannuation Scheme for the financial year ended 30 June 2004 included on the QSuper web site. The Executive Officer of the QSuper Board is responsible for the integrity of the QSuper web site. The audit report refers only to the financial statements identified below and does not include a review of the integrity of this web site or provide an opinion on any other information which may have been hyperlinked to/from the financial statements. If users of the financial statements are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements, available from the Government Superannuation Office, to confirm the information included in the audited financial statements presented on this web site.

These matters also relate to the presentation of the audited financial statements in other electronic media including CD Rom.

### **Scope**

#### *The financial statements*

The financial statements of the State Public Sector Superannuation Fund consist of the statement of net assets, statement of changes in net assets and notes to and forming part of the financial statements and certificates given by the trustees and officer responsible for the financial administration of the State Public Sector Superannuation Fund, for the year ended 30 June 2004.

#### *The Trustees' responsibility*

The Trustees are responsible for the preparation and true and fair presentation of the financial statements, the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial statements.

#### *Audit approach*

As required by law, an independent audit was conducted in accordance with QAO Auditing Standards to enable me to provide an independent opinion whether in all material respects the financial statements present fairly, in accordance with the prescribed requirements, including any mandatory financial reporting requirements as approved by the Treasurer for application in Queensland.

Audit procedures included -

- examining information on a test/sample basis to provide evidence supporting the amounts and disclosures in the financial statements,
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Trustees,
- obtaining written confirmation regarding the material representations made in conjunction with the audit, and
- reviewing the overall presentation of information in the financial statements.

### **Independence**

The *Financial Administration and Audit Act 1977* promotes the independence of the Auditor-General and QAO authorised auditors.

The Auditor-General is the auditor of all public sector entities and can only be removed by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which powers are to be exercised.

The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters that in the Auditor-General's opinion are significant.

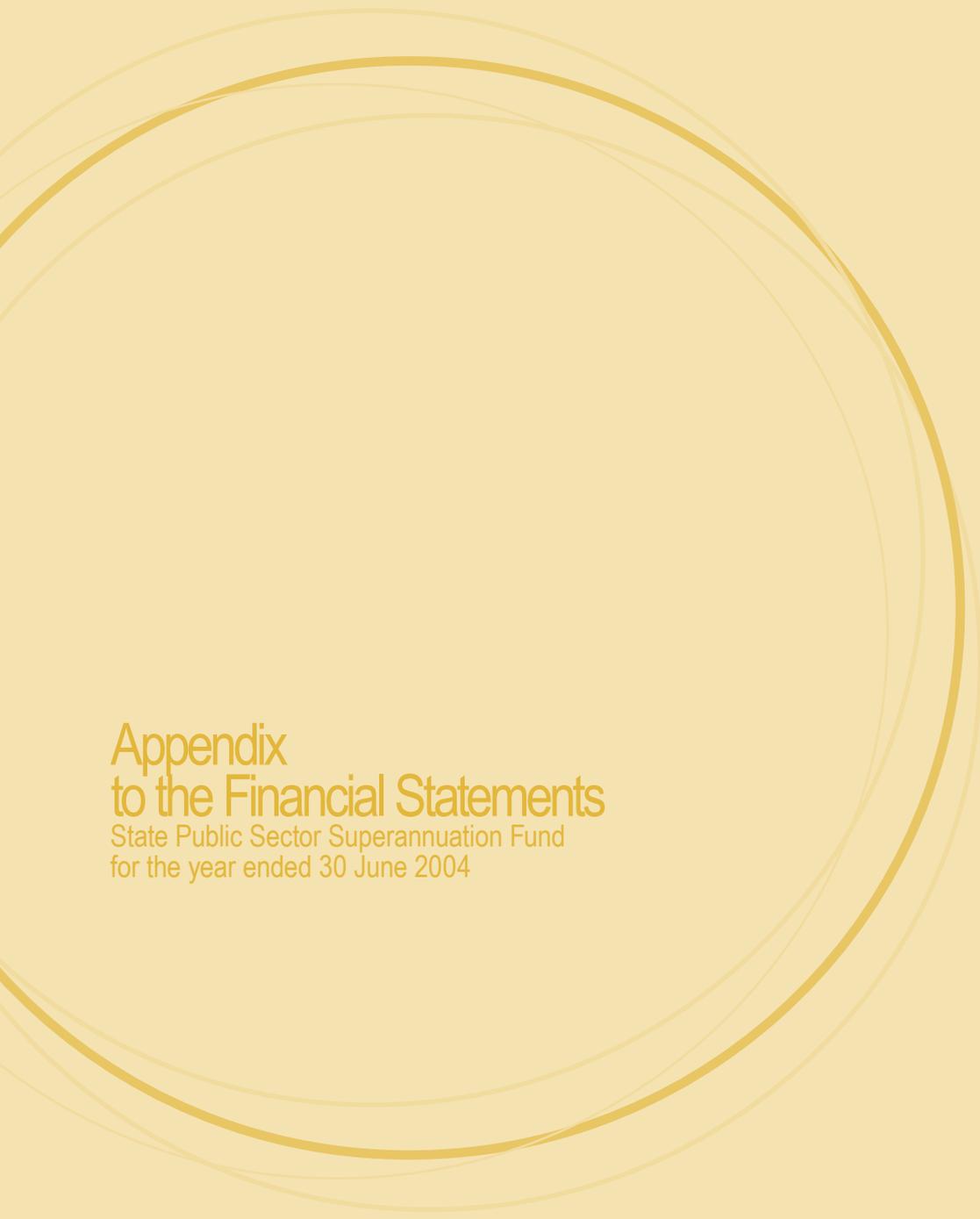
### **Audit Opinion**

In my opinion the financial statements present fairly the net assets of the Fund as at 30 June 2004 and the changes in net assets for the year ended 30 June 2004 in accordance with prescribed accounting standards and other mandatory professional reporting requirements in Australia and the provisions of the *State Public Sector Superannuation Act 1970*.

**L J SCANLAN FCPA**  
**Auditor-General of Queensland**

**Queensland Audit Office**  
**Brisbane**

30 September 2004



Appendix  
to the Financial Statements  
State Public Sector Superannuation Fund  
for the year ended 30 June 2004

## Summary report on the Actuarial investigation of the State Public Sector Superannuation Scheme (QSuper) as at 30 June 2001

The latest actuarial investigation of the State Public Sector Superannuation Scheme (QSuper) was conducted as at 30 June 2001 by Mr W H Cannon BSc (Hons) FIAA. The previous valuation was undertaken as at 30 June 1998. Given below is a summary of the main findings of the 2001 valuation.

### (a) Funding arrangements

#### *Defined Benefit category*

The Defined Benefit category is set up differently to most funds in that only employee contributions are deposited into the QSuper fund. Benefit payments from this Fund are generally made from member contributions accumulated with interest to the extent that this is possible, with the balance of the benefits being met by the Consolidated Fund as a last minute contribution to the Fund.<sup>1</sup> However, the employer makes advance provision for these benefits in that at the same time as member contributions are remitted, employing authorities are required to remit employer contributions to the Treasury Department. These contributions are accumulated in a reserve in the Consolidated Fund, which is maintained to finance the State's future liability for the employer component of all benefits. The State Actuary determines the rate of employer contribution at each actuarial valuation.

In a sense, the Defined Benefit category of QSuper could be considered to be a defined contribution scheme in that its liabilities are limited to the value of member contributions accumulated with interest. However, the total liabilities of the Category are the total defined benefits as described in the QSuper Deed. Consideration of the QSuper fund only would not give a comprehensive understanding of the funding of the scheme and hence this report considers the overall funding of the scheme taking into account both the QSuper and Consolidated Funds.

#### *Accumulation category*

The QSuper Accumulation Categories are defined contribution schemes and both member contributions and employer contributions are deposited into the QSuper fund. Each member of the Category has an account in their name into which the contributions are recorded. Interest earned is credited to the account and administration, insurance and taxation costs are deducted from the account. Benefit payments are made from the members' account. It should also be noted that Accumulation members who have previously been a member of the Defined Benefit Category may have a portion of their balance maintained in the Consolidated Fund in respect of the State component of their transfer benefit.

#### *State and Police categories*

The State and Police Categories are also operated on a "last minute funding" basis. Employee contributions are deposited into the QSuper fund. Benefit payments from this Fund are determined according to the benefit rules as described in the Deed. However, the Consolidated Fund pays a proportion of these benefits (as specified by the Actuary at each valuation) as a last minute contribution to the Fund.

Similarly to the Defined Benefit Category, the State makes advance provision for these benefits in that at the same time as member contributions are remitted, employing authorities are required to remit employer contributions to the Consolidated Fund. The rate of employer contribution is determined by the State Actuary at each actuarial valuation.

#### *Fire Category*

The Fire Category operates differently to the other defined benefit categories in that both member and employer contributions are paid to the QSuper Fund. All benefits are paid from the QSuper Fund.

<sup>1</sup> As a result of a forward funding transfer from the Consolidated Fund, benefit payments are currently being met solely from QSuper.

### (b) Funding method and recommendations

The main objectives of the valuation are to establish the scheme's funding requirements and to assess its financial condition in light of those requirements. In determining the funding requirements of QSuper, the Actuary has adopted methods of funding benefits appropriate to each Category.

The valuation method used in the Defined Benefit Category valuation is based on the "Entry Age Normal" funding method. This is a standard actuarial funding technique appropriate to funds open to new entrants.

Under this method a new entrant contribution rate is determined which is the rate required to provide the benefits of the Fund to a theoretical group of new entrants. The difference between the present value of benefits in respect of existing members of the Fund at the valuation date and the sum of assets, member contributions and employer contributions at the new entrant rate is the actuarial surplus (or deficit) of the Fund. If the experience of the Fund evolves as expected then contributions at the new entrant rate will provide exactly for the benefits of new entrants and no surplus or deficit will arise in respect of them.

This surplus (or deficit) disclosed by the valuation can then be expressed as an additional contribution (either positive, in the case of a deficit, or negative, in the case of a surplus) to be made by the employer in order to fully fund benefits.

The treatment of the other defined benefit plans' liabilities is similar to an Aggregate funding method. This method is often used with funds closed to new entrants.

Using the funding methods and actuarial assumptions described above as to the Fund's future experience, the Actuary has recommended that the State contribute at the rates indicated in Table 1 for the next 10 years. After that time, the contribution rate is recommended to revert to the new entrant contribution rates indicated in the report.

**Table 1 – Recommended employer contribution rates by category**

Category	Recommended employer contribution rate
DB standard	7.75% of Salary + 1.00 x member contributions
State category	4.75% of Salary <sup>2</sup> + 1.00 x member contributions
DB Police	6.00% of Salary + 2.00 x member contributions
Police category	3.00% of Salary <sup>2</sup> + 2.00 x member contributions
DB Fires	12% of Salary

### (c) Net market value of assets

The net market value of the Fund's assets as at 30 June 2001 was \$9,471,280,000. The value of the assets held in the Consolidated Fund was \$10,975,070,000. Therefore, the total market value of assets was \$20,446,350,000. These asset values were also used to determine the recommended contribution rates.

### (d) Vested Benefits

Vested benefits are the benefits to which members would be entitled if they terminated service at the date of calculation. These have therefore been defined as early retirement benefits for those members who are eligible and resignation benefits otherwise. The relationship between vested benefits and Fund assets at any particular date provides an indication of the Fund's ability to provide benefits on a short-term basis. Generally, it is considered essential that the market value of assets exceeds the value of vested benefits since the security of members' benefits would be jeopardised if the Fund were to be terminated.

However, in the case of QSuper, not only is the security of members' benefits guaranteed for all practical purposes (as the State can be assumed to be indefinitely continuing), it is quite likely that, in the absence of any significant surplus of assets over accrued liabilities, the market value of assets will be less than the value of vested benefits (as defined above).

<sup>2</sup> This is equivalent to the contribution rate in respect of the relevant Defined Benefit Category members less the 3% contribution to the Basic Accumulation Category.

This occurs as a result of the benefit design of the Defined Benefit Category in QSuper and a detailed discussion of this apparent anomaly is contained in the valuation report. In summary, it is more appropriate to assess the funding of QSuper by comparing its assets to the present value of accrued benefits as shown below. It will be noted however that, at this valuation, there was indeed a surplus of assets over accrued liabilities so that vested benefits would be expected to be less than the value of assets.

The total value of vested benefits as at 30 June 2001 was \$19,777,446,000. This includes vested benefits in respect of active members (including accumulation members), preserved benefits in respect of former members and the value of pensions payable to former members and beneficiaries<sup>3</sup>, and allows for the estimated level of vested contributions tax.

The ratio of the value of Fund assets to the total vested benefits required to be paid by the Fund in respect of active members was 103.1%. This indicates that the assets were more than sufficient to provide for the vested benefits.

#### **(e) Accrued Benefits**

Accrued Benefits are the benefits that the Fund is committed to provide in the future in respect of membership of the Fund completed at the reporting date. The relationship between the value of accrued benefits and the Fund's assets at a particular date may be used as a guide to the Fund's ability to provide benefits on an ongoing basis.

The accrued benefits of the Fund comprise the following items:

- Accrued benefits for active members in respect of their membership up to the reporting date;
- Preserved benefits held in respect of former members;
- Pensions payable to former members and beneficiaries; and
- Account balances of Accumulation Category members.

The aggregate value of accrued benefits was determined by the Actuary as at the date of the actuarial investigation on the following basis:

- Accrued benefits for active members were assumed to increase in line with general levels of salary inflation and promotional salary growth.
- Accrued benefits were assumed to be payable (or for pensioners, cease to be payable) on the leaving of service, death or disablement of members in a manner consistent with the assumptions made in the most recent actuarial valuation of the Fund.
- The present value of accrued benefits was assessed by applying a long-term discount rate equivalent to an investment return that is 3.5% p.a. in excess of assumed salary inflation. Salary inflation was assumed to be 4.0% p.a. This assumed investment return allows for all forms of investment income, dividends, rents and capital gains and is assumed to be net of investment management expenses, charges, fees and taxes.
- Accrued benefits were apportioned between past and future service using the Actual Accrual Approach. This is equivalent to allowing only for the period of service up to 30 June 2001 when calculating the expected benefits payable in future years.

The total value of accrued benefits as at 30 June 2001 was \$19,195,855,000.

The ratio of the value of Fund assets to the total discounted value of accrued benefits in respect of active members was 107.5%. This indicates that the assets were more than sufficient to provide for the present value of accrued benefits.

#### **(f) Financial condition**

The Actuary has certified that the expected liabilities of the Fund should be adequately provided for by the assets of the QSuper fund and Consolidated Fund, together with the funds' investment earnings and member and State contributions at the recommended level.

<sup>3</sup> The value of vested benefits in respect of accumulation accounts, preserved benefits in respect of former members and the value of pensions payable to former members and beneficiaries was \$5,790,521,000.

## Valuation Assumptions

### A Financial Assumptions

#### A.1 Interest

The assumed long term earning rate on the Fund's assets after tax and investment expenses is 7.5% p.a.

In order to allow for the experience of the Fund since the valuation date, the earning rate was assumed to be -5.0% in 2001/2002.

#### A.2 Salary growth

Long term salary growth due to inflation is assumed to be at the rate of 4% p.a.

Salary growth due to promotion is assumed to be in accordance with the salary scale set out in the service tables (Table 7, Table 8 and Table 9).

#### A.3 Inflation

This assumption is relevant for the purposes of valuing pensions that are increased in line with increases in the CPI. Pensions in payment have been assumed to increase at the rate of 2.5% p.a.

### B Demographic assumptions

#### B.1 Decrements – active members

The rates of retirement, mortality, disability and resignation used in the valuation are based on the Fund's own experience.

The decrement rates used are illustrated in the service tables.

#### B.2 Investment Linked Option

The following proportions of resigning members are assumed to immediately choose the investment linked option:

**Table 2 – Proportions choosing ILO on resignation by type of member**

Standard Males	7%
Standard Females	5%
Police	7%

In addition, the loading to allow for the subsequent option for deferred retirement benefit members to convert to the ILO was 3%.

#### B.3 Pensioners – Mortality – Defined Benefit category

The base mortality rates for TPD pensioners are those of Queensland Life Tables 1998/2000 (Males or Females, as appropriate, for standard members with Males used for Police) rated up 6 years.

Mortality improvement is incorporated in the value of pensions in line with the rates described in Table 3.

**Table 3 – Mortality improvement rates**

Age group	Annual percentage improvement in mortality	
	Males	Females
15–19	1.78	1.96
20–24	1.62	1.89
25–29	1.52	1.90
30–34	1.35	1.76
35–39	1.46	1.81
40–44	1.45	1.74
45–49	1.50	1.61
50–54	1.50	1.61
55–59	1.41	1.11
60–64	1.22	0.85
65–69	1.04	0.74
70–74	0.88	0.71
75–79	0.75	0.69
80–84	0.62	0.71
85–89	0.50	0.70
90–94	0.40	0.67
95–99	0.33	0.61

It has been assumed that 10% of members who become eligible for a total and permanent disablement benefit would take the pension option.

#### **B.4 Pensioners – Mortality – State category**

The base mortality rates for all State Category pensioners are those of Queensland Life Tables 1998/2000 (Males or Females, as appropriate) with age ratings varying by the type of pension as shown in Table 4.

**Table 4 – Mortality age ratings – State category**

Type of pension	Males	Females
Age Retirement	– 4 years	+ 0 year
Ill-health Retirement	+ 4 years	+ 4 years
Spouse	– 2 years	– 2 years

Mortality improvement is incorporated in the value of pensions in line with the rates described in Table 3.

It has also been assumed that males are three years older than their spouses.

Assumptions are also required as to what proportion of pensions would not be commuted.

In this regard, the following has been assumed

- 50% of age retirees will take the pension;
- 50% of ill-health retirees will take the pension;
- 50% of spouses will take the pension;
- Where the member had died while in receipt of a pension, 50% of the spouses will take the pension;
- Where a former member who commuted their pension entitlement prior to 27 February 1984 has died, 50% of spouses will take the pension.

#### **B.5 Pensioners mortality – Police Category**

The base mortality rates for all Police Category pensioners are those of Queensland Life Tables 1998/2000 (Males or Females, as appropriate) with age ratings varying by the type of pension as shown in Table 5.

**Table 5 – Mortality age ratings – Police Category**

Type of pension	Males	Females
Age retirement	+ 2 years	+ 0 years
Ill-health retirement	+ 6 years	+ 6 years
Spouse	+ 4 years	+ 4 years

Mortality improvement has been incorporated in the value of pensions in line with the rates described in Table 3. It has also been assumed that males are three years older than their spouses.

Assumptions are also required as to what proportion of pensions would not be commuted. In this regard, the following has been assumed

- 50% of age retirees will take the pension;
- 50% of ill-health retirees will take the pension;
- 50% of spouses will take the pension;
- Where the member had died while in receipt of a pension, 50% of the spouses will take the pension;
- Where a former member who commuted their pension entitlement prior to 27 February 1984 has died, 50% of spouses will take the pension.

### C Expenses and income protection benefit

It has been assumed that expenses will equate to 0.4% of salaries. The income protection benefit is expected to cost 0.4% of salaries for standard males and 0.6% of salaries for standard females in the Defined Benefit Category. The income protection benefit is assumed to cost 1.0% of salaries for members of the State Category. There is no income protection benefit for Police Category members nor police members of the Defined Benefit Category.

### D Child and orphan benefit

Child and orphan benefits have been allowed for by increasing the costs of lump sum death benefits by 5%.

### E New entrant distributions

The distribution of new entrants to the Defined Benefit Category was assumed to be as shown in Table 6.

**Table 6 – New entrant distributions**

Age group	Standard males		Standard females		Police	
	Proportion of new entrants	Salary at entry (2001 \$)	Proportion of new entrants	Salary at entry (2001 \$)	Proportion of new entrants	Salary at entry (2001 \$)
15–19	0.5%	16,417	0.4%	19,544	0.3%	33,037
20–24	4.8%	32,070	6.1%	33,118	37.4%	33,037
25–29	12.2%	42,067	13.3%	39,741	34.9%	33,037
30–34	13.5%	45,709	13.0%	42,511	13.4%	33,037
35–39	14.1%	49,218	13.8%	42,524	8.7%	33,037
40–44	14.8%	48,343	14.4%	39,851	3.1%	33,037
45–49	13.7%	50,463	14.6%	39,898	1.3%	33,037
50–54	11.2%	49,623	11.3%	38,213	0.7%	56,518
55–59	8.6%	55,385	8.2%	42,620	0.2%	80,000
60+	6.6%	49,173	4.9%	46,682	0.0%	–
Total	100.0%	47,507	100.0%	40,453	100.0%	33,300

### F Member contribution rates

It was assumed that average member contribution rates for the active members at the valuation date would be maintained in the future. Further, in determining the new entrant contribution rate, it was assumed that new entrants would contribute at the average rate of the current active members.

## G Service Tables

### Standard Male Members

Age x	Number attaining age x	Number leaving within one year of attaining age x as a result of				Salary Scale
		PPD / Retrenchment / age retirement	Death	TPD	Resignation	
16	100,000	98	73	5	8,093	100
17	91,732	114	74	4	8,155	112
18	83,385	127	70	8	7,995	128
19	75,186	138	66	11	7,732	150
20	67,238	147	58	13	7,249	185
21	59,771	152	52	11	6,622	221
22	52,933	156	44	10	5,969	256
23	46,755	157	35	9	5,248	284
24	41,306	155	30	7	4,533	306
25	36,582	153	25	5	3,897	323
26	32,502	149	21	6	3,321	341
27	29,005	146	16	5	2,833	358
28	26,005	142	14	6	2,417	374
29	23,426	139	13	6	2,008	389
30	21,261	136	11	6	1,652	403
31	19,456	134	10	7	1,395	415
32	17,911	131	8	7	1,177	425
33	16,587	129	8	8	1,024	436
34	15,419	127	7	8	875	445
35	14,402	125	7	10	752	455
36	13,508	123	6	11	658	465
37	12,710	122	5	12	569	474
38	12,002	120	6	13	501	484
39	11,362	119	6	14	440	493
40	10,782	119	6	14	391	502
41	10,253	118	6	16	351	511
42	9,762	117	7	16	310	520
43	9,312	116	7	18	282	528
44	8,889	115	8	20	257	536
45	8,489	114	9	22	236	544
46	8,109	113	10	24	219	552
48	7,392	110	11	28	189	565
49	7,055	108	11	29	174	571
50	6,732	106	12	31	163	576
51	6,420	104	12	33	152	581
52	6,118	102	13	35	144	586
53	5,824	100	13	37	135	590
54	5,538	98	13	38	127	593
55	5,262	1,047	13	36	0	595
56	4,166	621	11	32	0	597

### Standard Male Members (continued)

Age x	Number attaining age x	Number leaving within one year of attaining age x as a result of				Salary Scale
		PPD / Retrenchment / age retirement	Death	TPD	Resignation	
58	3,044	363	9	28	0	600
59	2,644	394	9	25	0	600
60	2,217	440	8	22	0	600
61	1,747	260	7	19	0	600
62	1,461	217	6	17	0	600
63	1,221	242	5	15	0	600
64	959	332	4	11	0	600
65	611	611	0	0	0	600

### Standard Female Members

Age x	Number attaining age x	Number leaving within one year of attaining age x as a result of				Salary Scale
		PPD / Retrenchment / age retirement	Death	TPD	Resignation	
16	100,000	138	19	5	15,856	100
17	83,982	120	16	4	12,544	113
18	71,297	106	14	3	10,076	127
19	61,099	94	12	3	8,143	142
20	52,846	85	10	3	6,618	158
21	46,130	77	9	4	5,458	186
22	40,581	72	8	4	4,522	207
23	35,976	66	7	5	3,802	226
24	32,095	62	6	6	3,207	240
25	28,814	59	6	6	2,747	252
26	25,997	56	5	6	2,359	263
27	23,570	54	5	7	2,030	275
28	21,475	52	4	7	1,751	285
29	19,661	50	4	7	1,535	294
30	18,065	49	4	7	1,348	302
31	16,658	47	3	8	1,186	309
32	15,414	46	3	8	1,044	315
33	14,313	45	3	8	920	321
34	13,337	44	3	9	826	326
35	12,455	42	3	9	743	330
36	11,657	42	3	10	669	334
37	10,934	41	3	10	602	338
38	10,279	40	3	11	542	342
40	9,140	39	3	12	440	349
41	8,646	39	3	13	396	353
42	8,195	39	3	14	357	356

### Standard Female Members (continued)

Age x	Number attaining age x	Number leaving within one year of attaining age x as a result of				Salary Scale
		PPD / Retrenchment / age retirement	Death	TPD	Resignation	
44	7,404	38	4	17	288	363
45	7,058	38	4	17	267	366
46	6,732	37	4	18	247	370
47	6,426	37	4	19	228	373
48	6,138	37	4	20	211	376
49	5,866	37	5	21	195	379
50	5,609	36	5	22	180	381
51	5,367	36	5	23	167	384
52	5,135	35	5	24	157	386
54	4,700	34	6	25	140	390
55	4,496	762	6	23	0	392
56	3,705	406	5	21	0	394
57	3,273	359	5	20	0	396
58	2,889	316	5	19	0	397
59	2,549	279	4	18	0	399
60	2,247	559	4	16	0	400
61	1,668	299	3	13	0	401
62	1,353	269	3	11	0	401
63	1,070	245	2	9	0	401
64	814	242	2	7	0	401
65	562	562	0	0	0	401

### Police Members

Age x	Number attaining age x	Number leaving within one year of attaining age x as a result of				Salary Scale
		PPD / Retrenchment / age retirement	Death	TPD	Resignation	
16	100,000	83	60	50	399	100
17	99,408	97	59	49	437	103
18	98,765	118	59	49	483	105
19	98,055	147	59	49	548	109
20	97,252	182	68	58	621	112
21	96,323	216	67	58	712	116
23	93,986	280	56	65	1,107	124
24	92,478	310	55	73	1,384	129
25	90,656	337	54	72	1,591	134
26	88,602	362	53	79	1,696	139
27	86,412	385	51	77	1,723	144
28	84,177	406	58	83	1,738	149
29	81,892	432	57	89	1,740	154
30	79,575	455	55	94	1,706	159

Police Members (continued)

Age x	Number attaining age x	Number leaving within one year of attaining age x as a result of				Salary Scale
		PPD / Retrenchment / age retirement	Death	TPD	Resignation	
32	74,961	495	59	118	1,617	167
33	72,672	506	57	129	1,536	171
34	70,444	517	62	139	1,449	176
35	68,276	532	61	155	1,359	179
36	66,170	565	59	176	1,273	183
37	64,097	589	57	196	1,191	187
38	62,065	619	58	220	1,111	191
39	60,056	650	59	242	1,029	195
40	58,075	683	60	269	944	198
41	56,119	709	64	293	862	202
42	54,191	737	68	315	785	206
43	52,287	767	70	335	717	209
44	50,398	793	72	352	657	214
45	48,524	816	76	373	601	218
46	46,659	835	79	395	541	223
47	44,808	855	84	419	485	227
48	42,965	875	88	444	437	232
49	41,122	894	92	469	386	237
50	39,280	908	95	494	339	242
51	37,443	921	99	519	294	247
52	35,611	932	103	538	256	253
54	31,951	953	107	586	199	264
55	30,108	14,870	83	467	0	270
56	14,688	4,347	48	285	0	277
57	10,006	2,958	35	215	0	283
58	6,799	2,007	25	161	0	290
59	4,605	1,357	18	121	0	296
60	3,109	3,109	0	0	0	303
61	0	0	0	0	0	311
62	0	0	0	0	0	311
63	0	0	0	0	0	311
64	0	0	0	0	0	311
65	0	0	0	0	0	311





General Purpose  
**Financial Statements**  
Government Superannuation Office  
for the year ended 30 June 2004

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## Statement of Financial Performance

### for the year ended 30 June 2004

	Notes	2004 \$'000	2003 \$'000
Revenues from ordinary activities	2	43,876	41,555
Expenses from ordinary activities	3	42,911	38,377
<b>Surplus for the operating period</b>		<b>965</b>	<b>3,178</b>
(Decrease) in accumulated surplus as a result of initial adoption of new standard for employee benefits		-	(43)
Net surplus		<b>965</b>	<b>3,135</b>

*The accompanying notes form part of these financial statements.*

## Statement of Financial Position as at 30 June 2004

	Notes	2004 \$'000	2003 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash assets	1(e),4	13,315	8,966
Receivables	1(f),5	897	4,248
Other	6	220	247
<b>Total current assets</b>		<b>14,432</b>	<b>13,461</b>
<b>Non-current assets</b>			
Plant and equipment	1(c),7	2,047	2,250
Intangibles	1(g),8	7,012	6,424
Other	6	-	89
<b>Total non-current assets</b>		<b>9,059</b>	<b>8,763</b>
<b>TOTAL ASSETS</b>		<b>23,491</b>	<b>22,224</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	1(h),9	6,861	6,693
Provisions	1(i),10	1,608	1,455
<b>Total current liabilities</b>		<b>8,469</b>	<b>8,148</b>
<b>TOTAL LIABILITIES</b>		<b>8,469</b>	<b>8,148</b>
<b>NET ASSETS</b>		<b>15,022</b>	<b>14,076</b>
<b>EQUITY</b>			
Accumulated surplus	11	15,022	14,076
<b>TOTAL EQUITY</b>		<b>15,022</b>	<b>14,076</b>

*The accompanying notes form part of these financial statements.*

# Statement of Cash Flows

## for the year ended 30 June 2004

	Notes	2004 \$'000	2003 \$'000
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Administration fees and other receipts		47,105	43,634
Interest		274	165
Goods and services tax refunded		-	15
Goods and services tax collected		4,344	4,133
		<b>51,723</b>	<b>47,947</b>
<b>Payments</b>			
Employee and administration payments		39,904	36,357
Goods and services tax payments		2,135	2,168
Goods and services tax remittance		2,556	1,859
		<b>44,595</b>	<b>40,384</b>
<b>Net cash from operating activities</b>	12	<b>7,128</b>	<b>7,563</b>
<b>Cash flows from investing activities</b>			
<b>Receipts</b>			
Proceeds from sale of plant and equipment		8	-
		<b>8</b>	<b>-</b>
<b>Payments</b>			
Payments for plant and equipment		573	1,207
Payments for intangibles		2,214	4,311
		<b>2,787</b>	<b>5,518</b>
<b>Net cash used in investing activities</b>		<b>2,779</b>	<b>5,518</b>
<b>Net movement in cash</b>		<b>4,349</b>	<b>2,045</b>
Cash at beginning of financial year		8,966	6,921
<b>Cash at end of financial year</b>		<b>13,315</b>	<b>8,966</b>

*The accompanying notes form part of these financial statements.*

# Notes to the Financial Statements

## for the year ended 30 June 2004

### Note 1 Significant accounting policies

#### (a) Basis of accounting

##### *General*

The Government Superannuation Office (the organisation) elects to prepare general purpose financial statements. These statements have been prepared in accordance with the *Financial Administration and Audit Act 1977*, *Financial Management Standard 1997*, applicable Australian Accounting Standards, Urgent Issues Group Abstracts and Statements of Accounting Concepts.

These financial statements have been prepared on accrual and going concern basis under the historical cost convention except where specifically stated.

##### *Accounting policies*

Unless otherwise stated, all accounting policies applied are consistent with those of the prior year. Comparative information is reclassified where appropriate to enhance comparability.

##### *Classification between current and non-current*

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be realised or paid. The asset or liability is classified as current if it is expected to be turned over within the next twelve months, being the organisation's operational cycle.

##### *Rounding*

Unless otherwise stated, amounts in the statements have been rounded to the nearest thousand dollars.

#### (b) Revenue recognition

Revenue is recognised when goods or services are delivered.

#### (c) Recognition and measurement of plant and equipment

##### *Acquisition*

The purchase method of accounting is used for all acquisitions of assets, being the fair value of the assets provided as consideration plus any incidental costs attributable to the acquisition, including all other costs incurred in getting the assets ready for use.

Plant and equipment items with a cost or value in excess of \$5,000 and a useful life of more than one year, are recognised as an asset. All other items of plant and equipment are expensed on acquisition.

##### *Repairs and maintenance*

Routine maintenance, repairs and minor renewal costs are expensed as incurred. Where the repair relates to the replacement of a component of an asset and the cost exceeds the capitalisation threshold, the cost is capitalised and depreciated.

# Notes to the Financial Statements

## for the year ended 30 June 2004

### Note 1 Significant accounting policies (continued)

#### (c) Recognition and measurement of plant and equipment (continued)

##### *Operating leases*

Lease payments for operating leases are recognised as an expense in the years in which they are incurred, as this reflects the pattern of benefits derived by the organisation.

##### *Leasehold improvements*

Leasehold improvements with a cost in excess of \$10,000 are recognised as an asset and depreciated over the unexpired period of the lease or the estimated useful life of the improvement, whichever is the shorter.

#### (d) Depreciation of plant and equipment

Depreciation on plant and equipment is calculated on a straight-line basis so as to write-off the net cost of each depreciable asset, less its estimated residual value, progressively over its estimated useful life to the organisation.

Work-in-progress is not depreciated until it reaches service delivery capacity.

Where assets have separately identifiable components, these components are assigned useful lives distinct from the asset to which they relate. Any expenditure that increases the originally assessed capacity or service potential of an asset is capitalised and the new depreciable amount is depreciated over the remaining useful life of the asset to the organisation.

Major depreciation periods used are listed below:

	<b>2004</b>	<b>2003</b>
<i>Plant and equipment</i>		
Computer equipment	3 to 5 years	3 to 5 years
Office equipment	5 years	5 years
Office furniture and fittings	10 years	10 years
Leasehold improvements	4 to 12 years	4 to 12 years
<i>Intangibles</i>		
Enhanced superannuation arrangements regime	-	2.5 to 3 years
Software development (refer Note 8(i))	3 to 9 years	3 to 6 years
Software purchases	3 to 5 years	3 to 5 years

#### (e) Cash assets

For the purposes of the statement of financial position, cash assets include all cash and cheques received but not banked.

# Notes to the Financial Statements

## for the year ended 30 June 2004

### Note 1 Significant accounting policies (continued)

#### (f) Receivables

Trade debtors are recognised at the nominal amounts due at the time of sale or service delivery, with settlement being generally required within 30 days from the invoice date.

The collectability of receivables is assessed periodically with provision being made for doubtful debts.

Bad debts are written off in the period in which they are recognised.

#### (g) Intangibles

All intangible assets with a cost or other value greater than \$50,000 are recognised in the financial statements, with items of a lesser value being expensed. Each intangible asset is amortised over its estimated useful life to the organisation less any anticipated residual value.

#### (h) Payables

Payables are recognised for amounts payable in the future for goods and services received, whether or not billed to the organisation. Creditors are generally unsecured, and are normally settled within 30 days of invoice receipt.

#### (i) Provision for employee entitlements

##### *Annual leave*

Annual leave entitlements are accrued on a pro rata basis in respect of services provided by employees up to balance date. The liability for salaries and annual leave is calculated using the remuneration rates the organisation expects to pay as at the reporting date.

##### *Long service leave*

Under the State Government's Long Service Leave Central Scheme a levy is made on the organisation to cover this expense. Amounts paid to employees for long service leave are claimed from the scheme as and when leave is taken.

No provision for long service leave is recognised in the financial statements, the liability being held on a Whole-of-Government basis and reported in the financial statements prepared pursuant to AAS 31 – *Financial Reporting by Governments*.

##### *Superannuation*

Employees of the organisation are members of the State Public Sector Superannuation Fund (QSuper). Contributions to employee superannuation accounts are expensed as they are paid or become payable.

The Treasurer of Queensland, based on advice received from the Queensland State Actuary, determines the employer contributions for superannuation.

No liability is recognised for accruing superannuation benefits in these financial statements, the liability being held on a Whole-of-Government basis and reported in the Whole-of-Government financial statements prepared pursuant to AAS 31 – *Financial Reporting by Governments*.

# Notes to the Financial Statements

## for the year ended 30 June 2004

### Note 1 Significant accounting policies (continued)

#### (j) Taxation

The activities of the organisation are exempt from Commonwealth taxation except for Fringe Benefits Tax (FBT) and Goods and Services Tax (GST). As such, input tax credits receivable and GST payable from/to the Australian Taxation Office are recognised and accrued.

#### (k) Adoption of International Financial Reporting Standards

The Financial Reporting Council has determined that all entities preparing general purpose financial statements will apply the Australian Equivalents to International Financial Reporting Standards (IFRSs) for reporting periods beginning or after 1 January 2005.

The Government Superannuation Office has established an IFRS Work Group to assist in the implementation of the new reporting requirements. All Australian Equivalents to IFRSs have been progressively reviewed, as at 30 June 2004, for possible implications on policies, procedures, systems and financial impacts arising from such changes.

To date, the organisation has identified the following key differences in accounting policies, which will arise from the adoption of Australian Equivalents to IFRSs:

- The introduction of AASB 136 - *Impairment of Assets* will require an annual impairment test to be performed on all non-current physical and intangible assets. This may result in a write-down of the value of plant and equipment and intangible assets.
- Internally generated intangible assets such as internal use software will be reviewed in accordance with standard AASB 138 where they do not satisfy the new recognition criteria.

The dollar values of the above changes cannot be reliably estimated at the date of this report.

Policy decisions made at a Whole-of-Government level in relation to the limiting of options on the Australian Equivalent to IFRSs may have additional impacts on financial reports prepared using these Standards.

### Note 2 Statement of financial performance – revenues

#### Revenues from ordinary activities

	2004 \$'000	2003 \$'000
(a) <i>Administration fees received or due and receivable</i>		
QSuper fund (refer Note 15(ii))	43,025	40,570
Parliamentary fund (refer Note 15(iii))	44	43
Long service leave central scheme (refer Note 15(i))	49	52
	<b>43,118</b>	<b>40,665</b>
(b) <i>Interest received or due and receivable</i>	<b>330</b>	<b>172</b>
(c) <i>Other revenue received or due and receivable</i>		
Q*Invest Limited (refer Note 15(iv))	335	682
Other revenue	93	36
	<b>428</b>	<b>718</b>
<b>Total revenues from ordinary activities</b>	<b>43,876</b>	<b>41,555</b>

# Notes to the Financial Statements

## for the year ended 30 June 2004

### Note 3 Statement of financial performance – expenses

#### Operating expenses from ordinary activities

	<b>2004</b>	<b>2003</b>
	<b>\$'000</b>	<b>\$'000</b>
(a) <i>Employee expenses</i>		
Salaries and wages (i)	15,886	14,159
Superannuation contributions	1,873	1,660
Payroll taxation	849	760
Personnel development	330	367
Recruitment and selection	147	292
Contractors	2,424	2,512
Other employee expenses	301	235
	<b>21,810</b>	<b>19,985</b>
(i) The organisation had 327 full time equivalent employees at 30 June 2004 (316 at 30 June 2003).		
(b) <i>Financial planning fees (refer Note 15(iv))</i>	<b>7,255</b>	<b>5,870</b>
(c) <i>Corporate service fees (refer Note 15(i))</i>	<b>2,347</b>	<b>2,197</b>
(d) <i>Postage and printing</i>		
Postage	1,029	1,099
Printing	904	859
	<b>1,933</b>	<b>1,958</b>
(e) <i>Depreciation and amortisation</i>		
Computer equipment (refer Note 7)	554	492
Office furniture and fittings (refer Note 7)	1	1
Office equipment (refer Note 7)	57	50
Leasehold improvements (refer Note 7)	110	89
Software purchases	37	8
Software development	1,294	596
Enhanced superannuation arrangements regime	-	671
	<b>2,053</b>	<b>1,907</b>
(f) <i>Rental expense – operating lease</i>	<b>1,518</b>	<b>1,448</b>
(g) <i>Consultancy</i>		
Communication	60	11
Information technology	3	100
Medical	1,061	716
Investment	30	105
Taxation	74	54
Other	6	93
	<b>1,234</b>	<b>1,079</b>
(h) <i>Computer charges and operating costs</i>	<b>1,430</b>	<b>1,029</b>

# Notes to the Financial Statements

## for the year ended 30 June 2004

### Note 3 Statement of financial performance – expenses (continued)

#### Operating expenses from ordinary activities (continued)

	2004 \$'000	2003 \$'000
(i) <i>Auditors' remuneration</i>		
Queensland Audit Office – external audit services	146	142
KPMG – internal audit services	225	113
Queensland Treasury – internal audit services	32	34
	<b>403</b>	<b>289</b>
(j) <i>Other expenses</i>		
Marketing and communications	603	718
Minor assets (refer Note 1(c))	809	515
Stationery and subscriptions	392	399
Other occupancy charges	297	282
Actuarial fees	227	221
Legal costs	174	140
Trustee fees	22	25
Other administration costs	404	315
	<b>2,928</b>	<b>2,615</b>
<b>Total operating expenses from ordinary activities</b>	<b>42,911</b>	<b>38,377</b>

### Note 4 Cash assets

Cash on hand	1	1
Cash at bank	13,314	8,965
	<b>13,315</b>	<b>8,966</b>

### Note 5 Receivables

<i>Current</i>		
Trade debtors	546	4,034
GST receivable	152	-
Interest	146	90
Other	53	124
	<b>897</b>	<b>4,248</b>

### Note 6 Other assets

<i>Current</i>		
Prepayments	<b>220</b>	<b>247</b>
<i>Non-current</i>		
Prepayments	<b>-</b>	<b>89</b>

## Notes to the Financial Statements for the year ended 30 June 2004

### Note 7 Plant and equipment

	2004 \$'000	2003 \$'000
<i>Computer equipment</i>	3,333	3,125
Less: accumulated depreciation	2,177	1,666
<b>Carrying amount at the end of the financial year</b>	<b>1,156</b>	<b>1,459</b>
<i>Office furniture and fittings</i>	23	23
Less: accumulated depreciation	17	16
<b>Carrying amount at the end of the financial year</b>	<b>6</b>	<b>7</b>
<i>Office equipment</i>	286	277
Less: accumulated depreciation	157	110
<b>Carrying amount at the end of the financial year</b>	<b>129</b>	<b>167</b>
<i>Leasehold improvements</i>	1,018	769
Less: accumulated depreciation	262	152
<b>Carrying amount at the end of the financial year</b>	<b>756</b>	<b>617</b>
<b>Total plant and equipment</b>	<b>2,047</b>	<b>2,250</b>

# Notes to the Financial Statements

## for the year ended 30 June 2004

### Note 7 Plant and equipment (continued)

<b>Movements during the financial year</b>	<b>2004</b>	<b>2003</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Computer equipment</i>		
Carrying amount at the beginning of the financial year	1,459	1,081
Additions	237	870
Write-offs	(15)	-
Transfers between asset classes	29	-
Depreciation expense	(554)	(492)
<b>Carrying amount at the end of the financial year</b>	<b>1,156</b>	<b>1,459</b>
<i>Office furniture and fittings</i>		
Carrying amount at the beginning of the financial year	7	8
Additions	-	-
Write-offs	-	-
Depreciation expense	(1)	(1)
<b>Carrying amount at the end of the financial year</b>	<b>6</b>	<b>7</b>
<i>Office equipment</i>		
Carrying amount at the beginning of the financial year	167	163
Additions	19	55
Write-offs	-	(1)
Depreciation expense	(57)	(50)
<b>Carrying amount at the end of the financial year</b>	<b>129</b>	<b>167</b>
<i>Leasehold improvements</i>		
Carrying amount at the beginning of the financial year	617	400
Additions	267	306
Write-offs	(18)	-
Depreciation expense	(110)	(89)
<b>Carrying amount at the end of the financial year</b>	<b>756</b>	<b>617</b>
<b>Total plant and equipment</b>	<b>2,047</b>	<b>2,250</b>

# Notes to the Financial Statements

## for the year ended 30 June 2004

### Note 8 Intangibles

		2004 \$'000	2003 \$'000
<i>Software purchases</i>	(i)	730	603
Less: accumulated amortisation		620	583
<b>Carrying amount at the end of the financial year</b>		<b>110</b>	<b>20</b>
<i>Software development</i>	(i)	8,240	5,459
Software development work in progress		1,287	2,591
Less: accumulated amortisation		2,625	1,646
<b>Carrying amount at the end of the financial year</b>		<b>6,902</b>	<b>6,404</b>
<i>Enhanced superannuation arrangements regime</i>		-	1,967
Less: accumulated amortisation		-	1,967
<b>Carrying amount at the end of the financial year</b>		<b>-</b>	<b>-</b>
<b>Total intangibles</b>		<b>7,012</b>	<b>6,424</b>

(i) Revision of accounting estimates

During the year estimated total useful lives of certain items of purchased and developed software were revised. The net effect of the change in the current year was a decrease in amortisation expense of \$377,000.

### Note 9 Payables

Trade creditors	4,856	3,944
GST payable	-	195
Other creditors and accruals	2,005	2,554
	<b>6,861</b>	<b>6,693</b>

# Notes to the Financial Statements

## for the year ended 30 June 2004

### Note 10 Provisions

	<b>2004</b>	<b>2003</b>
	<b>\$'000</b>	<b>\$'000</b>
Balance at the beginning of the financial year	1,455	1,336
Additional provisions recognised	1,424	1,197
Reductions in provisions as a result of payments	(1,271)	(1,078)
<b>Balance at the end of the financial year</b>	<b>1,608</b>	<b>1,455</b>

### Note 11 Accumulated surplus

Balance at the beginning of the financial year	14,076	10,955
Surplus for the financial year	965	3,178
Adjustment to accumulated surplus as a result of initial adoption of new standard for employee benefits	-	(43)
Net leave liabilities transferred from other government entities	(19)	(14)
<b>Balance at the end of the financial year</b>	<b>15,022</b>	<b>14,076</b>

### Note 12 Statement of cash flows

#### Reconciliation of net cash from operating activities

Surplus before effect of change in accounting policy	965	3,178
Depreciation (refer Note 1(d))	722	632
Amortisation (refer Note 1(g))	1,331	1,275
Write off of non-current assets	33	73
Proceeds received on disposal of assets	(8)	-
Equity adjustment associated with net leave liabilities transferred from other government entities	(19)	(14)
Adjustment to accumulated surplus as a result of initial adoption of new standard for employee benefits	-	(43)
<i>Change in operating assets and liabilities:</i>		
Decrease in receivables	3,351	2,244
Increase in provisions	154	119
(Increase) / decrease in prepayments	116	(129)
Increase/(decrease) in payables	483	228
<b>Net cash from operating activities</b>	<b>7,128</b>	<b>7,563</b>

# Notes to the Financial Statements

## for the year ended 30 June 2004

### Note 13 Superannuation

The organisation contributes in respect of its employees to the following superannuation accounts:

Type of account	Contribution rate	2004 \$'000	2003 \$'000
QSuper Defined Benefit account	9.75% to 12.75%	1,099	1,011
QSuper Accumulation account	9.75% to 12.75%	774	649
<b>Total contributions</b>		<b>1,873</b>	<b>1,660</b>

As at the reporting date, there were no outstanding contributions payable to the above accounts. The organisation is not liable for any unfunded liability in respect of the above employer sponsored defined benefits superannuation account.

### Note 14 Segment information

The principal activities of the organisation include the provision of expert superannuation policy advice, the provision of competitive products and services to enhance employee remuneration and retain members post employment and the administration of legislation related to the management of superannuation for Queensland State Public Sector employees. The organisation concentrates its activities in one geographical area, being Queensland.

### Note 15 Related parties

The organisation is a portfolio of the Queensland Treasury and is responsible for administering QSuper, the Parliamentary Contributory Superannuation Fund, the Judges' Pension Scheme, the Governors' Pension Scheme and the Long Service Leave provisions for Queensland State Public Sector employees. During the year transactions were undertaken between the organisation and a number of related parties.

#### (i) Queensland Treasury

Certain corporate service functions, such as payroll, human resources, cash management, accounting information systems and accounts payables, were provided by Queensland Treasury for a fee determined in accordance with a service level agreement. Fees paid to Queensland Treasury for these services aggregated \$2,000,000 (2003: \$2,000,000) during the financial year. The remaining \$347,000 (2003: \$197,000) for the year relates predominantly to the equity return expense.

The organisation is appointed to administer the Long Service Leave Central Scheme by Queensland Treasury. Administration fees received for conducting this service aggregated \$49,000 (2003: \$52,000) during the financial year.

#### (ii) QSuper

The organisation provides fund administration services to the QSuper Board of Trustees in accordance with the *Superannuation (State Public Sector) Act 1990*. Administration fees received from QSuper for the year aggregated \$43,025,000 (2003: \$40,570,000).

# Notes to the Financial Statements

## for the year ended 30 June 2004

### Note 15 Related parties (continued)

#### (iii) The Parliamentary Contributory Superannuation Fund

The organisation provides fund administration services to the Parliamentary Contributory Superannuation Fund Board of Trustees in accordance with the *Parliamentary Contributory Superannuation Act 1970*. Administration fees received from the Parliamentary Contributory Superannuation Fund for the year aggregated \$44,000 (2003: \$43,000).

#### (iv) Q•Invest Limited

The QSuper Board of Trustees holds a 50% interest in Q•Invest Limited. Q•Invest Limited's principal activities consist of providing financial planning advice under a dealers licence and to act as responsible entity for the Q•Invest Limited Investment Access Funds. Financial planning fees paid under normal commercial terms to Q•Invest Limited aggregated \$7,255,000 (2003: \$5,870,000) during the financial year.

Under an agreement, based on normal commercial terms and conditions, the organisation provides services to Q•Invest Limited. These services, such as information technology and marketing, aggregated \$335,000 (2003: \$682,000) during the financial year.

#### (v) Queensland Investment Corporation (QIC)

QIC, a body corporate established under the *Queensland Investment Corporation Act 1991*, which holds the remaining 50% interest in Q•Invest Limited, is the investment manager for QSuper and the Parliamentary Contributory Superannuation Fund.

### Note 16 Financial instruments

#### (i) Interest rate risk

The organisation is exposed to interest rate risk through cash held in the bank.

Under the Cash Management Incentive Regime, the Government Superannuation Office received interest at 3.66% to 4.52% (2003: 3.77% to 4.12%) calculated on the daily bank balance. Overdraft balances attract interest of 7.66% to 8.52% (2003: 7.77% to 8.12%).

#### (ii) Receivables

Receivables are carried at actual amounts with credit advanced normally on 30 day terms. The maximum exposure to credit risk at balance date in respect of receivables is the carrying amount as disclosed in the statement of financial position. Accordingly, provision has only been made for doubtful debts where recovery of the debts are considered extreme.

#### (iii) Creditors

Creditors are carried at actual amounts and include accrued expenses applicable to the financial year and paid after balance date.

#### (iv) Net fair value

The carrying amount of cash, receivables and payables approximates net fair value.

# Notes to the Financial Statements

## for the year ended 30 June 2004

### Note 17 Commitments

#### Operating lease commitments

At 30 June 2004 the organisation had the following operating lease commitments inclusive of GST for payment:

	2004 \$'000	2003 \$'000
Within one year	1,918	1,808

#### Capital commitments

At 30 June 2004 the organisation had the following capital commitments inclusive of GST for payment:

	2004 \$'000	2003 \$'000
Within one year	-	293

### Note 18 Contingent liabilities

There are no known actual or possible material claims against the organisation at 30 June 2004.

### Note 19 Post balance date events

No events have occurred subsequent to the financial statements date that would require adjustment to, or disclosure in, the financial statements.

## Certificate of the Government Superannuation Office

These general purpose financial statements have been prepared pursuant to the *Financial Administration and Audit Act 1977*, and other prescribed requirements and we certify that in our opinion:

- (a) the prescribed requirements for establishing and keeping the accounts have been complied with in all material respects; and
- (b) the statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of the Government Superannuation Office for the financial year ended 30 June 2004 and of the financial position at the end of that year.

G P Bradley  
Under Treasurer

R A Vilgan  
Chief Executive Officer

C J Kaye  
Chief Financial Officer

Brisbane  
6 September 2004

30 August 2004

30 August 2004

# Independent Audit Report

## To the Accountable Officer

### Matters relating to the electronic presentation of the audited financial statements

The audit report relates to the financial statements of the Government Superannuation Office for the financial year ended 30 June 2004 included on the QSuper web site. The Executive Officer of the QSuper Board is responsible for the integrity of the QSuper web site. The audit report refers only to the financial statements identified below and does not include a review of the integrity of this web site or provide an opinion on any other information which may have been hyperlinked to/from the financial statements. If users of the financial statements are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements, available from the Government Superannuation Office, to confirm the information included in the audited financial statements presented on this web site.

These matters also relate to the presentation of the audited financial statements in other electronic media including CD Rom.

### Scope

#### *The financial statements*

The financial statements of the Government Superannuation Office consist of the statement of financial performance, statement of financial position, statement of cash flows, notes to and forming part of the financial statements and certificates given by the accountable officer and officer responsible for the financials administration of the Government Superannuation Office, for the year ended 30 June 2004.

#### *The Accountable Officer's responsibility*

The Accountable Officer is responsible for the preparation and true and fair representation of the financial statements, the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial statements.

#### *Audit approach*

As required by law, an independent audit was conducted in accordance with QAO *Auditing Standards* to enable me to provide an independent opinion whether in all material respects the financial statements present fairly, in accordance with the prescribed requirements, including any mandatory financial reporting requirements as approved by the Treasurer for application in Queensland.

#### *Audit procedures included –*

- Examining information on a test/sample basis to provide evidence supporting the amounts and disclosures in the financial statements,
- Assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Accountable Officer,
- Obtaining written confirmation regarding the material representations made in conjunction with the audit, and
- Reviewing the overall presentation of information in the financial statements.

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## Independence

The *Financial Administration and Audit Act 1977* promotes the independence of the Auditor-General and QAO authorised auditors.

The Auditor-General is the auditor of all public sector entities and can only be removed by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which powers are to be exercised.

The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

## Audit Opinion

In accordance with the provisions of the *Financial Administration and Audit Act 1977* –

- (a) I have received all the information and explanations which I have required; and
- (b) In my opinion –
  - (i) the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
  - (ii) the statements have been drawn up so as to present a true and fair view, in accordance with the prescribed accounting standards of the transactions of the Government Superannuation Office for the financial year 1 July 2003 to 30 June 2004 and the financial position as at the end of the year.

L J SCANLAN FCPA  
Auditor-General of Queensland  
9 September 2004

Queensland Audit Office  
Brisbane





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