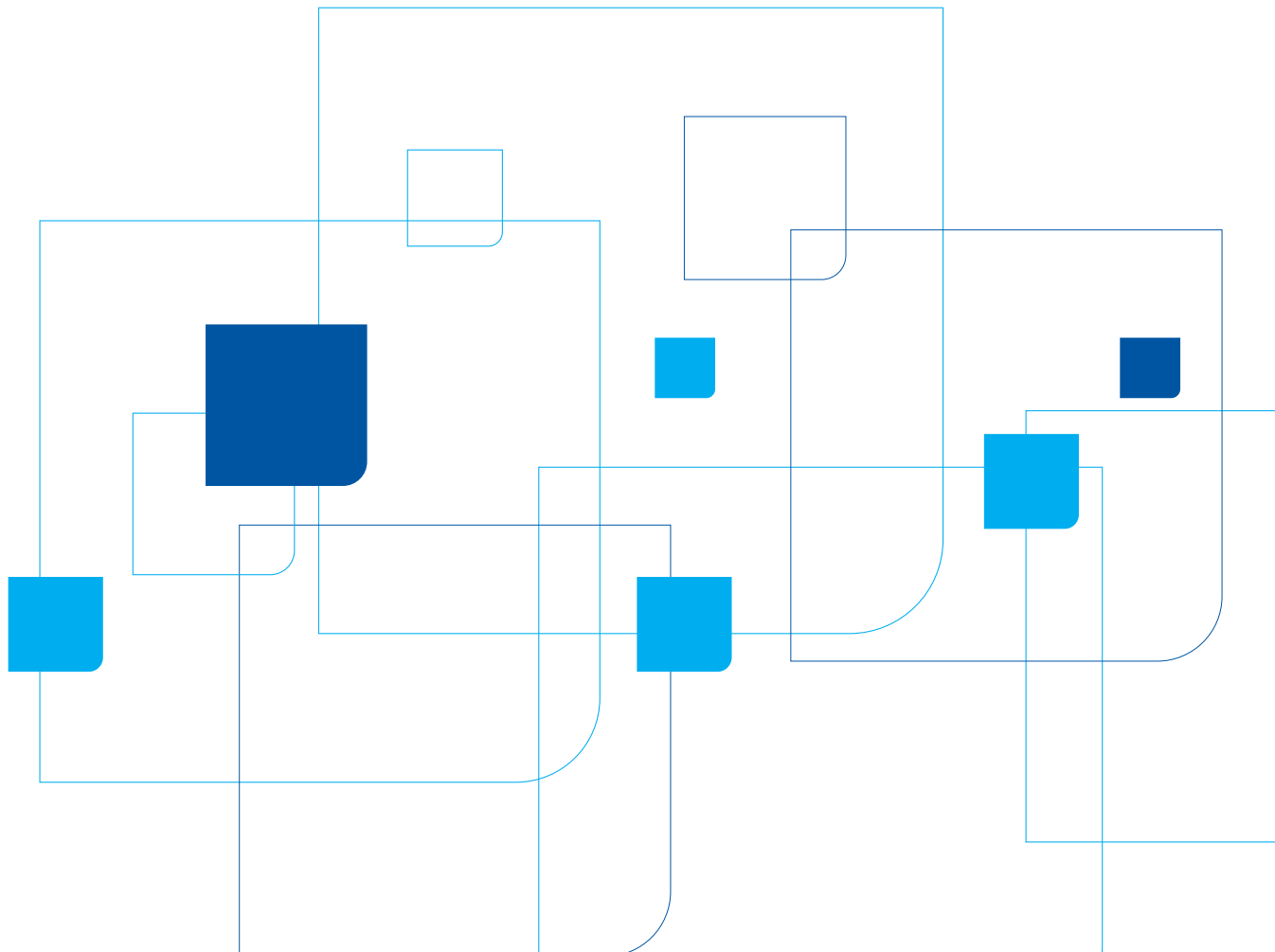


# Annual report

Annual report of the QSuper Board of Trustees

# 2009



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## Contacting QSuper

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The financial statements in this annual report are an electronic presentation of the audited statements and are not to be used as an official copy. A hard copy of the annual report can be obtained by contacting QSuper on 1300 360 750.

#### Additional copies

You can obtain additional copies of this annual report by visiting the QSuper website at [qsuper.qld.gov.au](http://qsuper.qld.gov.au) or calling QSuper on 1300 360 750.

\*SuperRatings Platinum rating QSuper Accumulation and QSuper Pension accounts 2009 [www.superratings.com.au](http://www.superratings.com.au).

#### Warning

The information in this report is not personal advice and has been prepared for general information purposes only, from sources believed to be reliable and accurate. It does not, therefore, take into account your personal objectives, financial situation, or needs. You should read the product disclosure statement (PDS) and consider your circumstances before you make an investment decision. You can get a PDS from our website at [qsuper.qld.gov.au](http://qsuper.qld.gov.au), or call us on 1300 360 750 and we'll send you one. Before acting or relying on any information contained in this report, you should consider whether you need to seek personal financial advice. The QSuper Board is not licensed to provide financial product advice. There is no cooling-off period.

Where the term 'QSuper' is used in this document, it represents both the QSuper Board of Trustees (ABN 32 125 059 006) and the QSuper Fund (ABN 60 905 115 063). QSuper Limited (ABN 50 125 248 286 AFSL 334 546), QSuper's wholly owned subsidiary, administers the Fund.

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

# QSuper profile

QSuper is working to improve the retirement outcomes of our members.

The Treasurer of Queensland is responsible for the superannuation arrangements of the Queensland State public sector, with the major fund being the State Public Sector Superannuation Scheme (QSuper). QSuper Limited (QSL), the QSuper Board of Trustees' (the QSuper Board) wholly owned administration company, is responsible for the administration of QSuper. The Queensland Government provides valuable superannuation coverage to its employees, offering generous employer contributions and flexible options to assist employees in meeting their retirement income needs. Through the QSuper Board, superannuation for Queensland State public sector employees is managed as a partnership between employers and unions.

QSuper is one of Australia's largest superannuation funds, and the QSuper Board is committed to helping members achieve an adequate income in retirement by providing quality products and services.

Until 8 July 2009, the Commonwealth Government classified QSuper as an exempt public sector superannuation scheme under the *Superannuation Industry (Supervision) Act 1993*. While QSuper was technically exempt for the 2008/2009 financial year from this legislation, it complied with the Commonwealth Government's retirement income policies by means of a Heads of Government Agreement. The QSuper Board has, from 9 July 2009, become regulated by the Australian Prudential Regulation Authority (APRA), and is now subject to the Commonwealth legislation governing most Australian superannuation funds.

## Purpose of this report

The QSuper Board is pleased to present the annual report for the twelve months ended 30 June 2009.

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

## Our vision and values

QSuper has built a high level of trust and a reputation for integrity by providing valued products and superior service to generations of members. The QSuper Board respects the importance of remaining true to QSuper's purpose and core values, which support QSuper's primary objective of giving our members financial dignity and quality of life in retirement. The QSuper Board has developed a new vision for QSuper reflecting this commitment, which will help our members achieve an adequate income in retirement.

### **Our vision is:**

Improving retirement outcomes for members.

### **Our core values are:**

- great value
- real service
- better knowledge
- solid returns.



# Chairman's report

by **Bob Scheuber**  
Chairman of the Board

As QSuper's new Chairman, it is my pleasure to take over this position from Gerard Bradley.

During more than eleven years of dedicated service, Gerard played an important role in QSuper's development and saw the organisation grow from strength to strength. On behalf of the QSuper Board, QSupers' staff, and all members, I would like to thank Gerard for his hard work and dedication.

## The challenging year – global financial crisis

The events of the past twelve months have been challenging for financial service providers, and superannuation funds have not been immune. Continued volatility in financial markets impacted superannuation funds, including QSuper, with a number of our investment options experiencing negative returns over the past financial year. The Balanced Option, which is the default investment choice for most of our members, experienced its second consecutive year of negative growth. This performance demonstrates the extent of the financial crisis. Protecting the interests of members is now, more than ever, a significant focus of the QSuper Board and QSuper Management. The QSuper Board spent significant time considering its future direction and committing to a new strategic plan. A key part of the plan is a commitment to delivering a strong product offering and solid long-term returns for our members. During the past year, the QSuper Board began to implement changes to achieve these and other key goals as outlined below.

## Focusing on the long term

In recognition of the challenging financial markets and our commitment to provide the best possible long-term returns for our members, in 2008/2009 the QSuper Board increased its focus on investment governance and made various significant decisions. The QSuper Board's Investment Committee has been restructured and we have welcomed investment specialists to this group. QSuper Limited's Investment team is also growing, increasing its capability to respond to the changing environment and further develop QSuper's investment offerings.

## Listening to our members

At QSuper we value what our members have to say, which is why we continuously monitor our members' satisfaction. So it is great to see that over the past challenging year, not only did we maintain high member satisfaction but members viewed us as more trustworthy than competitors' members perceived their funds to be. Over 87% of members rate QSuper highly as a fund that provides overall value for members, consistently rating our fees, investment returns, and the quality of our products and services more favourably than members of other funds. These are excellent results given the current volatility in financial markets.

## Awards and top ratings

QSuper's 'member-first' philosophy guides everything we do and we take our responsibility to look after our members' superannuation very seriously. This commitment has once more been recognised externally by the industry. We were ranked in the top ten finalists nominated for SuperRatings Fund of the Year and for the third consecutive year, we were awarded the SuperRatings Platinum award in 2009 for our Accumulation and Pension accounts.

## New product offering

Much work was done in the past year to ready QSuper for the launch of an exciting new offer from 1 July 2009. Previously, once an employee left the employment of the Queensland Public Sector their new employer was unable to contribute to QSuper. Now, eligible QSuper members will be able to nominate non-government employers to make contributions into a QSuper account for them. Eligible members will have access to the same investment options, as well as a great value insurance product. This will provide everything our members have come to expect from QSuper – great value, better knowledge, real service, and solid returns.

## Website enhancements

Our website is a vital tool in our members' interaction with us. To ensure we continually adapt to meet member expectations, we launched a new-look website in October 2008. With easier to find information, increased functionality, and more opportunities to interact with QSuper, visits to the website increased by 12% in the last year, reaching 167,142 visits per month. Our website continues to deliver exceptional service to QSuper members 24 hours a day, 7 days a week.

## Fund regulation

QSuper became regulated by the APRA on 9 July 2009. This means we will be subject to the same Commonwealth Government requirements as most other superannuation funds in Australia.

## Defined Benefit account closes to new members

In November 2008 the Queensland Government passed legislation to no longer offer the QSuper Defined Benefit account to anyone who wasn't a member of the account at 12 November 2008. Existing Defined Benefit account members can maintain their Defined Benefit membership until they retire, transfer to an Accumulation account, or leave their current employment.

## Looking ahead

Although the years ahead will bring challenges, I am confident QSuper is in a strong position. Exciting opportunities are ahead as QSuper continues to help our members work towards a brighter financial future and sustain our position as one of Australia's leading superannuation funds.

## Acknowledgements

In addition to Gerard, I would like to thank trustees Terri Hamilton and Cameron Pope, who stepped down from the QSuper Board during the year. I would also like to extend a warm welcome to new trustees, Amanda Richards, Michael Barnes, Walter Ivessa, and Norelle Deeth. The QSuper Board would like to thank the CEO Rosemary Vilgan, her Executive team, and all QSuper Limited staff for their dedication and commitment during 2008/2009. This year has been an extremely difficult one for members and the professionalism of our QSuper staff is very much appreciated.

On behalf of the QSuper Board, I would like to formally acknowledge QSuper's key service providers, including QSuper Limited, QIC, Q Invest, the State Actuary, Watson Wyatt, and Ernst & Young. The Board also wishes to thank the Auditor-General of Queensland.

**Bob Scheuber**  
Chairman of the Board

# QSuper Board of Trustees

The QSuper Board of Trustees is responsible for overseeing the operation of QSuper.

The QSuper Board of Trustees of the State Public Sector Superannuation Scheme (ABN 32 125 059 006) is known as the QSuper Board of Trustees (The QSuper Board).

The QSuper Board has a level of indemnification that is consistent with Commonwealth superannuation laws and other State legislation. The QSuper Board is responsible for overseeing the operation of QSuper. The QSuper Board meets on a regular basis to discuss important decisions regarding key areas of the Fund, including the creation and implementation of QSuper's strategic direction, the formulation of the investment strategy and, most importantly, service delivery to members.

## Employer trustees

Six employer trustees are nominated by the Queensland Treasurer. Current employer trustees are:



### Bob Scheuber

Former Chief Executive, Queensland Rail

Appointed: December 2007



### John Carpendale

Former superannuation fund executive

Appointed: June 2006



### Natalie MacDonald

Associate Director-General, Queensland Department of Public Works

Appointed: December 2007



### Peter Henneken

Acting Director-General, Department of Employment, Economic Development and Innovation

Appointed: December 2007



### Walter Ivessa

Assistant Under Treasurer, Queensland Treasury

Appointed: June 2009



### Norelle Deeth

Former Director-General, Department of Child Safety

Appointed: June 2009

## Member entity trustees

Six member entity trustees are nominated as follows: one representative by the Australian Workers' Union Queensland and five other representatives by the Queensland Council of Unions. Current member entity trustees are:



### Karen Peut

Executive Director, Department of Transport and Main Roads

Appointed: May 1985



### Steve Ryan

President, Queensland Teachers' Union

Appointed: June 1994



### Tom Jeffers

Vice-President, Australian Workers' Union

Appointed: August 2007



### Gay Hawksworth

State Secretary, Queensland Nurses' Union

Appointed: December 2007



### Amanda Richards

Assistant General Secretary, Queensland Council of Unions

Appointed: September 2008



### Michael Barnes

General Secretary, Queensland Police Union of Employees

Appointed: June 2009

## Meeting attendance

	Employer trustees								Member entity trustees						
	Bob Scheuber	John Carpendale	Natalie MacDonald	Peter Henneken	Walter Ivessa (appointed June 2009)	Norelle Deeth (appointed June 2009)	Gerard Bradley (departed May 2009)	Terri Hamilton (departed April 2009)	Karen Peut	Steve Ryan	Tom Jeffers	Gay Hawksworth	Amanda Richards (appointed September 2008)	Michael Barnes (appointed June 2009)	Cameron Pope (appointed September 2008 – resigned March 2009)
●	13	14	11	12	1	1	9	11	13	14	9	14	9	1	3
●	14	14	14	14	1	1	13	11	14	14	14	14	12	1	7

● Number of Board meetings attended

● Number of Board meetings the trustee was eligible to attend



# Year in review

by **Rosemary Vilgan**

Chief Executive Officer, QSuper and QSuper Limited

The ever-changing nature of the superannuation industry presents both challenges and opportunities for QSuper. Over the past year all at QSuper have been working to ensure we are well equipped to build and maintain the Fund's position as an industry leader, and provide members with financial dignity and quality of life in retirement.

## Market volatility

As noted in the Chairman's report, over the past twelve months there has been a great deal of global market instability which has impacted the superannuation industry. During this time we increased our level of education and communication with members so they remained up to date with the latest market information and were aware of the options available to them before and during retirement. Our role has been to provide support for members to make positive decisions about their superannuation and to recognise that market downturns are a normal part of the economic cycle.

## Strategic direction

### 1. New strategic plan

QSuper's strong history of innovation and continuous improvement has positioned us as a leader in the superannuation industry. Earlier this year, the QSuper Board endorsed QSuper's new strategic plan for 2009–2012, which builds on our leading position by progressively implementing a range of programs to improve our members' retirement.

As a Fund committed to members, we recognise that they have different needs and face many different challenges. As members move through their working life and into retirement, the demands they place on our services will naturally change. Our membership base is also growing in size and diversity, such that we will need to demonstrate clear value and solid performance to remain valued by our members.

QSuper's new strategic plan will address these challenges by proactively managing regulatory change, enhancing our product and service offer, and ensuring our systems and processes are efficient and responsive to our members' needs.

### 2. Increased investment focus

In recent times we have increased our focus on investment issues to guide us through the current economic climate and ensure we deliver solid returns to members in future. As part of this, our internal investment capability was also strengthened with the creation of a new executive position of Chief Investment Officer (CIO). The CIO's role is to ensure QSuper builds portfolios of investments that reflect the investment objectives and risk appetite of the QSuper Board. The CIO will be supported by a team of dedicated investment specialists.

### 3. Workforce transition to QSuper Limited

QSuper Limited is a wholly owned subsidiary of the QSuper Board and is the administrator for the Fund. The QSuper Limited (QSL) Board believed it needed to obtain an Australian Financial Services License (AFSL) and directly employ its workforce to be able to ensure services through to QSuper. Therefore, in April 2008, the QSL Directors requested Queensland Government approval for all Queensland Treasury staff working on behalf of QSuper to move to QSL employment on 1 July 2009. Staff transferred have an opportunity to remain with QSL or return to the public service.

As part of this transition, an Enterprise Bargaining Agreement (EBA) was drafted in consultation with affected Queensland Treasury staff and public sector unions. The EBA was then passed by an overwhelming majority of staff in May 2009. Through the transition of staff to QSL from July 2009, we will be able to continue to provide the exceptional and dedicated service our members have come to know and expect.

## CP3 – relocation

Another important change at QSuper over the past year, was our relocation to the Central Plaza Three (CP3) building at 70 Eagle Street. With space efficiencies of a new building, this move improves our service to members with on-site seminar facilities allowing QSuper to host a range of educational seminars in a central and easily accessible CBD location.

## The year ahead

The past year saw many significant changes in the superannuation industry, driven by amendments to government retirement incomes policy, greater regulatory oversight, growing competitive pressure, and evolving member needs and demands. QSuper's 2009-2012 strategic plan is focused on ensuring that QSuper will continue to deal effectively with the changing nature of the industry while maintaining the core values that have been developed and strengthened over time.

With the introduction of a new exciting offering, allowing the opportunity for members to request a new employer to contribute to QSuper on their behalf, QSuper looks ahead to another challenging but rewarding year of growth.

As QSuper is now a regulated fund, we are now in a strong position to meet the challenges of a regulated environment and embark on more exciting areas of change and development. I am confident that the 2009-2010 financial year will see QSuper deliver even greater benefits for our members.

**Rosemary Vilgan**

Chief Executive Officer,  
QSuper and QSuper Limited

# Investments

QSuper's investment strategy endeavours to continue improving retirement outcomes for our members.

## Market volatility

The sudden collapse of financial credit markets in the US caused a major drop in the performance of sharemarkets around the world, including Australia. This created a highly volatile investment environment for Australian superannuation over the past 24 months, and QSuper has not been immune.

## Delivering solid returns

Although the performance of investment markets is out of our control, we are constantly working to provide as much protection as possible for our members' superannuation during these volatile times. Over the past two years, we increased investments in unlisted assets to reduce the impact of listed market volatility. During this period QSuper's allocation to equities was reduced as market valuations appeared overheated.

## Changes to strategic asset allocations

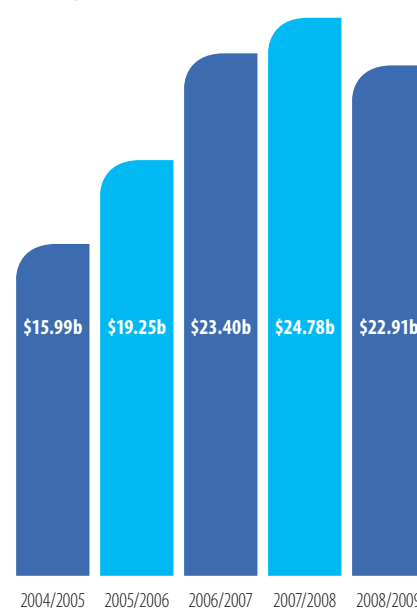
In an effort to further enhance returns for members, we have introduced changes to our asset allocation ranges. These ranges apply to most of our Ready Made options and defined benefit portfolio. The QSuper Board made the decision from 1 July 2008 to make these asset allocations wider for some options, in recognition of the fact that different investment strategies may be required in different economic and market environments. Increasing these ranges allows greater diversification and the ability to increase the acquisition of alternative assets, which in turn offers the potential for achieving solid returns with less risk. Additionally, it gives QIC, QSuper's investment manager, more ability to react to market factors and take advantage of investment opportunities as they arise. QSuper continues to assess additional suitable investment opportunities in order to build a diversified portfolio in a disciplined manner.

Work also continued over the past twelve months to enable QSuper's investment outcomes to be managed and reported on an after-tax basis. This work has focused on developing and implementing after-tax investment management strategies, with the goal of improving after-tax returns to QSuper members.

## Our future

The 2009/2010 financial year will be one of further development and refinement of our investment strategies, and the search for more alternative asset opportunities will continue. We will, as usual, be keeping our members updated through our website and newsletters.

## QSuper funds under management in billions\*



\*These figures represent the QIC unit trust balance at 30 June, not net assets.

## Investment returns

Investment option	Accumulation account				QSuper Pension account			
	Crediting rate 2008/2009	Compound 3-year return	Compound 5-year return	Compound 10-year return	Crediting rate 2008/2009	Compound 3-year return	Compound 5-year return	Compound 10-year return
Balanced	-11.96%	-1.04%	4.76%	4.96%	-12.60%	-0.78%	5.58%	5.50%
Cash Plus	-4.53%	1.60%	4.63%	4.75%	-4.39%	2.16%	5.48%	5.41%
Socially Responsible	-10.32%	-1.57%	n/a	n/a	-11.62%	-1.83%	n/a	n/a
Basic Growth	-12.09%	n/a	n/a	n/a	-13.15%	n/a	n/a	n/a
High Growth	-19.64%	-4.07%	3.32%	n/a	-20.22%	-3.79%	4.30%	n/a
Cash	3.72%	4.32%	4.51%	n/a	4.07%	5.03%	5.30%	n/a
Fixed Interest	5.97%	4.66%	n/a	n/a	6.24%	5.27%	n/a	n/a
Australian Shares	-19.38%	-2.92%	n/a	n/a	-20.82%	-3.08%	n/a	n/a
International Shares	-26.53%	-8.02%	n/a	n/a	-28.66%	-8.70%	n/a	n/a
<b>Defined Benefit account</b>								
	Crediting rate 2008/2009	Compound 3-year return	Compound 5-year return	Compound 10-year return				
	-11.96%	-0.44%	5.15%	5.86%				

# Financial summary

QSuper's financial position remains strong through difficult economic times.

<b>Financial summary</b>		
<b>QSuper net assets available to pay benefits as at 1 July 2008</b>		<b>\$24,614.7m</b>
<b>Revenue</b>		
Investment revenue		(\$3,134.4m)
Employer contributions		\$2,653.4m
Member contributions		\$729.9m
Transfers from other funds		\$346.2m
Other revenue		\$0.5m
<b>Total revenue</b>		<b>\$595.6m</b>
<b>Expenses</b>		
Benefits paid		\$1,745.8m
Administration expenses		\$69.2m
Financial planning expenses		\$13.7m
Income tax expense		(\$31.0m)
Other expenses		\$9.1m
<b>Total expenses</b>		<b>\$1,806.8m</b>
<b>QSuper net assets available to pay benefits as at 30 June 2009</b>		<b>\$23,403.5m</b>

For detailed information, refer to the financial statements on page 20.

<b>Membership summary</b>		
Number of members at 30 June 2009		523,603
Accounts opened		71,750
Accounts closed		28,588
Number of accounts at 30 June 2009		674,486
	<b>30 June 2008</b>	<b>30 June 2009</b>
Average account balance	\$65,469	\$62,405



# Products

Delivering quality products that cater to the diverse and changing needs of QSuper members.

We understand our members' superannuation needs and expectations often change throughout their working life and into retirement. We also recognise everyone's situation is different and there's no one-size-fits-all approach when it comes to superannuation. QSuper offers a range of accounts to ensure our members are able to tailor their superannuation to suit their individual needs. During the year, QSuper improved its insurance offering by reducing benefit qualifying time periods on pre-existing conditions.

QSuper's award-winning Accumulation account just keeps getting better, receiving a SuperRatings platinum rating for the third consecutive year. Only the top 15% of Funds rated received this.

## Product growth

The growth of accumulation funds in comparison to defined benefit funds has steadily continued. This is because the Accumulation account was the default account before the Defined Benefit account closed completely to new members, and because retiring members often convert their Defined Benefit, State, or Police accounts to an Accumulation account.

## Accumulation account

A QSuper Accumulation account caters for members both during and after their employment with the Queensland Government. Spouses of members are also eligible to open an Accumulation account.

An Accumulation account lets members actively participate in the growth of their superannuation by selecting investments that suit their attitude to risk and return. Our default investment option is the Balanced option, and members' funds are directed to this option when we do not receive any specific investment direction from a member.

A major project undertaken during 2008/2009 was to ready QSuper for contributions from non-government employers. From 1 July 2009, QSuper members and their spouses have the option to have their private sector employer pay super contributions on behalf of the member into a QSuper Accumulation account. We expect this to be popular based on member feedback.

Accumulation account	2007/2008	2008/2009
Membership (active)	193,425	225,345
Membership (retained)	293,576	307,082
Income protection benefits paid	1,694	1,999
Rollovers to QSuper	34,367	23,424
Members making voluntary contributions	81,326	44,442
Accumulation accounts opened via spouse deposits	1,153	705
Income		
Contribution	\$3,814.3m	\$3,357.1m
Investment	(\$657.8m)	(\$2,005.1m)
Miscellaneous	\$0.2m	\$0.2m
Total	\$3,156.7m	\$1,352.2m
Expenditure	\$1,979.1m	\$1,580.5m
Balance of accounts <sup>1</sup>	\$17,377.3m	\$17,149.0m

<sup>1</sup> This amount includes some reserves held by the Queensland Government for superannuation.

## Defined Benefit account

A QSuper Defined Benefit account provides accrued and insured benefits based on a member's salary, contribution rate, and length of membership. On 12 November 2008, the Defined Benefit account was closed to new members. Members who had an existing Defined Benefit account at 12 November 2008 continue to have membership. Employer contributions are not paid directly into QSuper – instead they are paid into a reserve held by the Queensland Government which is used to fund the benefits of Defined Benefit account members as required.

Defined Benefit account	2007/2008	2008/2009
Membership (active)	83,442	79,779
Membership (retained)	46,233	45,438
<b>Benefit payments</b>		
Age retirement	3,535	2,942
Permanent disability	266	303
Resignation	3,068	2,304
Retrenchment	300	145
Income protection benefits paid	1,681	1,615
Income		
Contribution	\$1,903.0m	\$1,186.3m
Investment	\$(115.9m)	\$(1,100.4m)
Miscellaneous	\$79.1m	\$0.2m
Total	\$1,866.2m	\$86.1m
Expenditure	\$1,963.2m	\$1,355.1m
Balance of accounts	\$6,647.1m	\$5,378.1m
Crediting rate	-3.61%	-11.96%

# Products

## QSuper Pension account

A QSuper Pension account allows members to invest their QSuper benefit in an accumulation-style account, where they can earn a return linked to their selected investment option while drawing a regular pension. The pension is paid until the member's investment balance is exhausted.

### Transition to retirement

Members who are interested in using a transition to retirement option can do so by opening and drawing an income from a QSuper Pension account.

The transition to retirement option was implemented by QSuper in July 2006 and as at 30 June 2009 there were 2,527 members utilising this option. These members and their balances are included in the information for QSuper Pension accounts.

QSuper Pension account	2007/2008	2008/2009
Membership	13,261	15,331
New accounts opened	4,571	2,910
Income		
Contribution	\$1,621.8m	\$876.2m
Investment	(\$220.9m)	(\$422.0m)
Total	\$1,400.9m	\$454.2m
Expenditure	\$402.3m	\$501.0m
Balance of accounts	\$3,531.8m	\$3,485.0m

## State and Police account

QSuper State and Police accounts are defined benefit style accounts which are now closed to new members. Because there are no new entrants into these accounts, membership numbers continue to diminish.

In a State or Police account, employer contributions are not paid directly into QSuper – instead they are paid into a reserve held by the Queensland Government which is used to fund the benefits of State and Police members as required.

State and Police account	2007/2008	2008/2009
Membership	1,618	1,511
<b>Benefit payments</b>		
Age retirement	81	82
Ill-health retirement	2	1
Death	1	2
Resignation	8	8
Retrenchment	12	6
<b>Total</b>	<b>104</b>	<b>99</b>
Income protection benefits paid	30	29
Income	Included in Defined Benefit account	
Expenditure	Included in Defined Benefit account	
Balance of accounts	Included in Defined Benefit account	
Crediting rate	Resignation -4.01%	Resignation -12.36%
	Preserved -3.61%	Preserved -11.96%

# Appendix

## 2008/2009 Annual report of the QSuper Board of Trustees

The QSuper Board is committed to high standards of corporate governance. The governance of QSuper is driven by the QSuper Board's desire to act in good faith, with foresight, and in the best interests of members and their dependants.

### Board policies

The QSuper Board must act in accordance with the covenants of section 52 of the *Superannuation Industry (Supervision) Act 1993*. In accordance with industry standards and regulatory requirements, the QSuper Board has introduced a range of policies which will guide QSuper's corporate governance practices.

### Composition and appointment of the Board

A Trustee's appointment to the QSuper Board is established under the *Superannuation (State Public Sector) Act 1990* (the QSuper Act). The QSuper Board is comprised of six employer trustees, appointed by the Treasurer, and six member entity trustees. Of the six member entity trustees, one is nominated by the Australian Workers' Union, Queensland, and the remainder are nominated by the Queensland Council of Unions.

The Treasurer, as Minister, appoints a Trustee as Chairman following consultation with the QSuper Board. Trustees serve on the QSuper Board for a term of three years, after which they may be nominated for re-appointment.

QSuper Trustees are also Directors of QSuper Limited. This ensures they retain control over the services provided to QSuper members, and supports their primary objective of helping members achieve an adequate income in retirement through great value, real service, better knowledge, and solid returns.

### Remuneration of the QSuper Board

During 2008/2009, the QSuper Board was remunerated in accordance with rates approved by the Minister in consultation with the QSuper Board. This remuneration represents an all-inclusive fee encompassing all QSuper Board related activities (including committee memberships and QSuper Limited Directorship). QSuper Board members, who are also employees of the Government, are not remunerated for their trustee duties.

# Appendix

## Queensland Government nominated trustees

### Mr Bob Scheuber, AM

*BE, B.Bus, FCPA, FAIM, MAICD*

Managing Director, Bob Scheuber Resources, Director, Rail and Transport Health Fund Limited, Director, CRC Rail Limited, Director QSL, Trustee on the QSuper Board (appointed December 2007)

Experience:

- Appointed Chairman of the QSuper Board of Trustees in June 2009

Mr Scheuber is currently a Director of both Rail and Transport Health Fund Limited and the Cooperative Research Centre for Rail Limited. He has had extensive involvement with Queensland Rail, culminating in six years as the Chief Executive Officer

- Member of both the Investment and Audit and Risk Committees

### Mr John Cependale

*BA, FFin, FASFA, GAICD, JP (CDec)*

Director QSL, Trustee on the QSuper Board (appointed June 2006)

Experience:

- 40 years' experience in the superannuation industry, including senior executive roles with Government Superannuation Office and the Queensland Local Government Superannuation Board (LG Super)
- Chairman of both the Licensing and Marketing and Communication Committees
- Member of the Investment Committee

### Ms Natalie MacDonald

*BA, MBA, M.Comm*

Associate Director-General, Queensland Department of Public Works, Director QSL, Trustee on the QSuper Board (appointed December 2007)

Experience:

- Over 20 years' experience in the Commonwealth and State public sectors, and has held positions with the former Department of Housing, former Commonwealth Department of Employment, Education and Training, the Australian Trade Commission (AUSTRADE), and the Queensland Ambulance Service
- Member of the Investment, and Marketing and Communication Committees

### Mr Peter Henneken

*B.Bus, BA, FIPAA*

Acting Director-General, Department of Employment, Economic Development and Innovation, Director QSL, Trustee on the QSuper Board (appointed December 2007)

Experience:

- 40 years' experience in the public service, including eight and a half years as a CEO. He is Chairman of the Portable Long Service Leave Authority (QLeave) Board and the Contract Clearing Industry Long Service Leave Board
- Member of both the Audit and Risk and Insurance Claims Management Committees

### Mr Walter Ivessa

*B.Éc*

Assistant Under Treasurer, Queensland Treasury, Director QSL, Trustee on the QSuper Board (appointed June 2009)

Experience:

- Mr Ivessa joined Queensland Treasury in 1981 and was appointed as an Assistant Under Treasurer in February 1996. Prior to that Mr Ivessa worked for several Commonwealth Government Departments in the Australian Capital Territory. Mr Ivessa has been an external member of the Audit and Risk Committee since 2004
- Chairman of the Audit and Risk Committee

### Ms Norelle Deeth

*BA, B.Com, Dip Ed, FAICD*

Former Director-General, Department of Child Safety, Director QSL, Trustee on the QSuper Board (appointed June 2009)

Experience:

- Ms Deeth joined the Queensland Department of Child Safety in July 2004, where she served as both Director-General and Deputy Director-General. Prior to this Ms Deeth was Deputy Director-General, Queensland Health and an Assistant Under-Treasurer with Queensland Treasury
- In 2001, Ms Deeth was awarded the Queensland Telstra *Business Woman of the Year* award in recognition of her lead role in the implementation of accrual output budgeting across the Queensland public sector
- Ms Deeth has also held a number of senior Board and Council positions, including Director of the Queensland Rural Adjustment Authority and Councillor on the University of the Sunshine Coast Council
- Member of the Licensing and Audit and Risk Committees

## Member Entity nominated representatives

### **Mrs Karen Peut, PSM**

*MAICD*

Executive Director, Department of Transport and Main Roads, Director QSL, Trustee on the QSuper Board (appointed May 1985)

Experience:

- former Director of Queensland Motorways Limited
- over 40 years' experience with the Department of Main Roads
- life member of the Queensland Public Sector Union
- Chairman of the Insurance Claims Management Committee
- Member of the Licensing Committee

### **Mr Steve Ryan**

President, Queensland Teachers' Union, Director QSL, Trustee on the QSuper Board (appointed June 1994)

Experience:

- Executive Member of the Queensland Teachers' Union since 1993 and a senior officer of the Union since 2000
- Director of Q Invest Limited
- Member of the Licensing, Investment, and Marketing and Communications Committees

### **Mr Tom Jeffers**

Vice-President, Australian Workers' Union, Queensland, Director QSL, Trustee on the QSuper Board (appointed August 2007)

Experience:

- Mr Jeffers has been involved with the Australian Workers' Union since 1990 and has extensive expertise and knowledge of employment and industrial relations. Mr Jeffers is a Director of the Workers' Compensation Regulatory Authority (QCOMP) Board, and member of the Workplace Health and Safety Board, Chairman of the Health Industry Sector Standing Committee, Board Member and Treasurer for Energy Skills Queensland
- Member of the Audit and Risk, and Insurance Claims Management Committees

### **Ms Gay Hawksworth**

*RN, Dip.Nursing*

State Secretary, Queensland Nurses' Union, Director QSL, Trustee on the QSuper Board (appointed December 2007)

Experience:

- Ms Hawksworth has been involved with the Queensland Nurses' Union since 1982 and is currently the State Secretary. She is also the Senior Vice-President of the Queensland Council of Unions, Executive Member of the Australian Nursing Federation, and a former Executive Member of the Australian Council of Trade Unions. She has extensive expertise and knowledge in employment and industrial relations
- Member of the Marketing and Communications Committees

### **Ms Amanda Richards**

Assistant General Secretary, Queensland Council of Unions, Director QSL, Trustee on the QSuper Board (appointed September 2008)

Experience:

- Director of the Workers' Compensation Regulatory Authority (QCOMP) Board, and member of the Workplace Health and Safety Board
- extensive expertise and knowledge of employment and industrial relations
- Member of the Insurance Claims Management Committee

### **Mr Michael Barnes**

General Secretary, Queensland Police Union of Employees, Director QSL, Trustee on the QSuper Board (appointed June 2009)

Experience:

- over 25 years' service with the Queensland Police
- Former Branch Secretary (Central Highlands sub-branch) from 1992 to 1995, and Executive Member of the Metropolitan North Region for 13 years
- Member of the Insurance Claims Management, and Marketing and Communications Committees

## Former trustees

- Gerard Bradley
- Terri Hamilton
- Cameron Pope

# Appendix

## Board and management responsibilities

The QSuper Board generally meets on a monthly basis. Throughout the course of the 2008/2009 financial year, 14 meetings were held. The QSuper Board delegates the day-to-day administration of QSuper to the management of QSuper Limited, including the Chief Executive Officer and Executive Committee. However, the QSuper Board retains responsibility for the operation of QSuper and receives regular reports from QSuper Limited management. The QSuper Board also has procedures in place to ensure that the Executive Committee is appropriately qualified and experienced to discharge its responsibilities.

The QSuper Board and QSuper Limited have established policies and procedures which ensure the QSuper Board, management, and staff meet high standards of professionalism and integrity, and adhere to industry standards and regulatory requirements. These include a commitment to providing continuing professional educational opportunities, documenting processes and procedures, and formulating, progressing, and promoting a comprehensive strategic plan.

## Board committees

The QSuper Board may establish committees as it considers necessary or appropriate to assist it in carrying out its responsibilities. Each committee has a charter setting out the matters relevant to its composition, responsibilities, and administration. While committees have specific membership, all trustees are able to attend.

During 2008/2009, the following committees were constituted by the QSuper Board:

- Insurance Claims Management Committee
- Investment Committee
- Marketing and Communication Committee
- Audit and Risk Committee (joint QSL Committee)
- Licensing Committee (joint QSL Committee).

## Insurance Claims Management Committee

Members:

- Mrs Karen Peut (Chairman)
- Mr Tom Jeffers
- Mr Peter Henneken
- Ms Amanda Richards
- Mr Michael Barnes.

The Committee oversees the insurance products of QSuper and considers new initiatives and the strategic direction of claims management. It is a forum for discussion on claims management practices, initiatives, and reporting.

## Investment Committee

Members:

- Mr Michael Rice (Chairman)
- Mr Bob Scheuber (Deputy Chairman)
- Ms Natalie MacDonald
- Mr John Carpendale
- Mr Steve Ryan
- Mr Ian Macoun
- Dr Michael Drew.

This Committee provides assistance to the QSuper Board in discharging its investment oversight in relation to the Fund.

Mr Michael Rice, Mr Ian Macoun, and Dr Michael Drew are external members selected for their specialist knowledge of superannuation and investment matters.

## Mr Michael Rice

Michael has extensive experience in the financial services industry including:

- Fellow of the Institute of Actuaries of Australia
- Founder and Managing Director of Rice Warner Actuaries

## Dr Michael Drew

*B.Eco, G.Cert.H.Ed, M.Eco.St, PhD*

- Michael is currently a Professor of Finance at the Griffith Business School, Griffith University, and has held various other academic posts at the Australian National University and the Queensland University of Technology
- He has also published extensively on the topics of superannuation and investment management in academic and practitioner journals

## Mr Ian Macoun

*B.Com, M.Fin Mgmt, FCPA, FAICD*

- Former Chief Executive Officer of QIC
- Chairman/Managing Director of Pinnacle Investment Management
- Chairman of Plato Investment Management, Solaris Investment Management, and Palisade Investment Partner

## Marketing and Communication Committee

Members:

- Mr John Carpendale (Chairman)
- Mr Steve Ryan
- Ms Natalie MacDonald
- Ms Gay Hawksworth
- Mr Michael Barnes.

The Committee reviews marketing strategies and timeframes for their implementation, as well as QSuper's member communications and publications.

## Audit and Risk Committee

Members:

- Mr Walter Ivessa (Chairman)
- Mr Bob Scheuber
- Mr Peter Henneken
- Mr Tom Jeffers
- Ms Norelle Deeth.

This is a joint QSuper Board and QSuper Limited Committee which assists the Boards in discharging their governance and administrative responsibilities. The committee's role includes:

- reviewing the management of risk, including overseeing the QSuper and QSuper Limited risk registers, and ensuring appropriate internal controls are in place to address those risks
- monitoring each entity's compliance with legislative requirements
- reviewing internal and external audit findings and monitoring the implementation of audit recommendations
- approval of actions taken to resolve and/or report non-compliance and resolve significant audit findings
- reviewing financial statements.

## Licensing Committee

Members:

- Mr John Carpendale (Chairman)
- Mrs Karen Peut
- Mr Steve Ryan
- Ms Norelle Deeth.

This joint Committee provided assistance to the QSuper Board and QSuper Limited management in applying for the QSuper Board to become an RSE licensee (to obtain regulated fund status) and QSuper Limited for an Australian Financial Services (AFS) Licence.

### Board meeting attendance record

Trustee	Board Meetings		Insurance Claims Management Committee		Investment Committee		Marketing and Communication Committee		Audit and Risk Committee		Licensing Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Bob Scheuber	14	13			12	11			5	4		
John Carpendale	14	14			12	12	4	3			2	2
Natalie MacDonald	14	11			12	10	4	3				
Peter Henneken	14	12	1	1	8	5			2	0		
Walter Ivessa	1	1							5	4		
Norelle Deeth	1	1										
Karen Peut	14	13	1	1	7	7					2	2
Steven Ryan	14	14			12	12	4	4			2	2
Tom Jeffers	14	9	1	1	7	5			5	4		
Gay Hawksworth	14	14			7	6	4	4				
Amanda Richards	12	9			5	2						
Michael Barnes	1	1										
Independent Committee members												
Michael Rice					5	5						
Michael Drew					5	4						
Ian Macoun					5	4						
Former trustees												
Gerard Bradley	13	9			8	6						
Terri Hamilton	11	11			7	7			4	4	2	2
Cameron Pope	7	3			6	2	1	0				

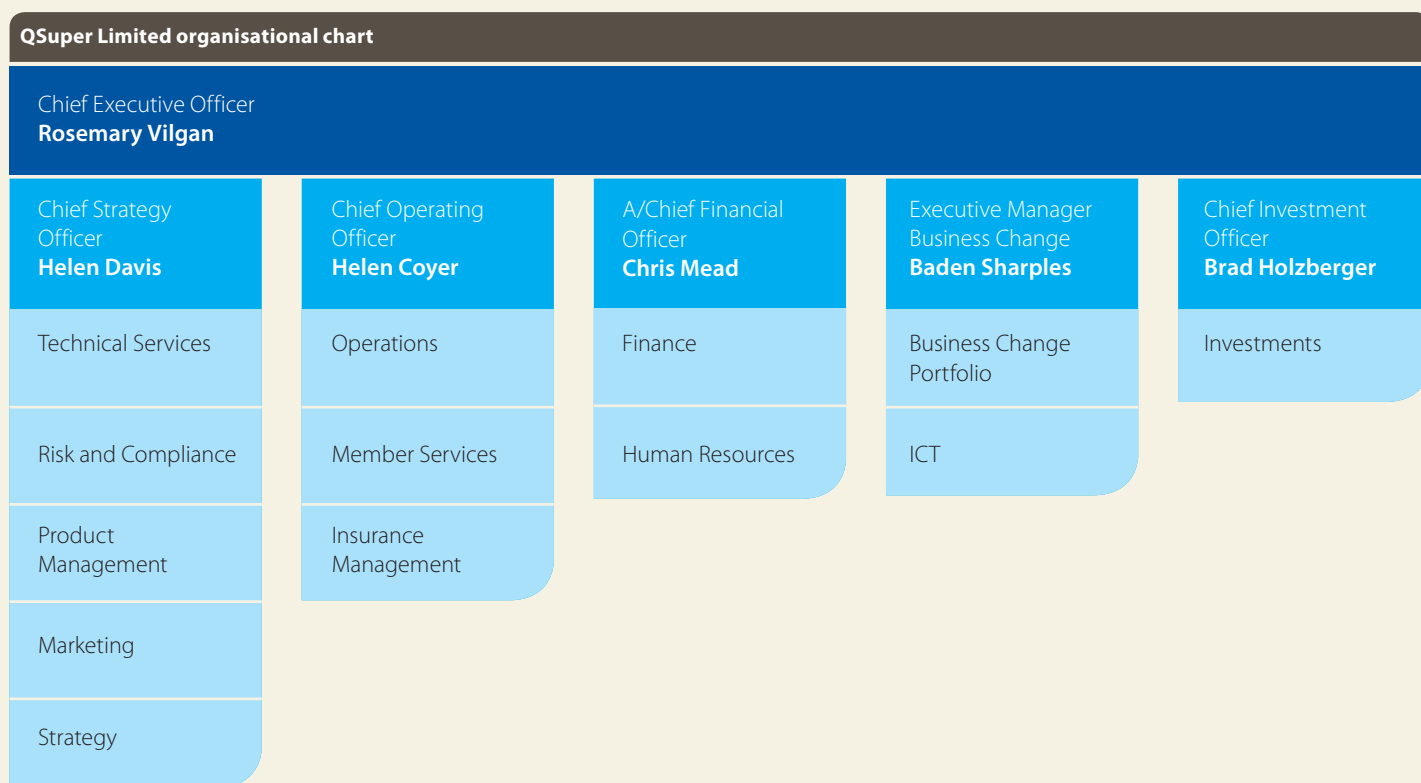
# Appendix

## QSuper Limited Executive Committee

Chaired by the Chief Executive Officer, the Executive Committee includes the Chief Financial Officer, Chief Operating Officer, Chief Strategy Officer, Chief Investment Officer, and Executive Manager – Business Change. The Committee is responsible for addressing strategic corporate issues, and providing assistance and advice to the Chief Executive Officer and the QSuper Board.

## QSuper organisational chart

The chart below represents QSuper Limited's organisational structure as at 30 June 2009.





## Risk management framework

As trustee of a complex superannuation fund with significant funds under management, it is imperative that the QSuper Board has a comprehensive and rigorous risk management framework in place. The QSuper Board takes its risk management responsibilities seriously and has devoted considerable effort to continually enhancing and improving this framework.

During 2008/2009, the QSuper Board continued to ensure that robust and effective processes and systems were being developed to support the implementation of the Fund's Risk Management Framework so that the Fund's risk management practices are consistent with legislation and best practice.

The Risk Management Framework supports the QSuper Board in operating prudently, making informed decisions, and protecting the interests of members. The major risks identified by the QSuper Board are incorporated into a combined Risk Management Strategy and Risk Management Plan (RMS/RMP), which is a formal document underpinning the QSuper Board's Risk Management Framework. The QSuper Board oversees compliance with the RMS/RMP, with primary carriage by its Audit and Risk Committee.

The RMS/RMP was a key component in obtaining a licence from the Australian Prudential Regulation Authority (APRA). Compliance with the Strategy and Plan is required to be audited each year and this document is a key focus of APRA's prudential reviews.

The RMS/RMP is consistent with the Australian standard on risk management, AS/NZS 4360:2004, and is based on the principles of:

- identifying, assessing, evaluating, and mitigating risks
- aligning risk management with the corporate governance structure and business strategy
- implementing and operating a risk monitoring system that results in better-informed decisions.

The Risk Management Framework consists of the following four complementary elements:

- integrated and responsive risk management program
- comprehensive and effective compliance management program
- effective governance framework covering key roles, delegations, and trustee processes
- resourcing models and supporting processes.

These mechanisms are further supported and strengthened through internal and external audit programs.

### Risk management processes

The QSuper Board periodically holds a risk workshop during which existing and emerging risks are considered and rated in terms of materiality. At this time the QSuper Board may stipulate certain mitigations be implemented to maintain or reduce the final rating of the risk. The risk workshop and the development of the QSuper Board's risk register have been facilitated by the Fund's internal auditors.

On a regular basis, senior managers certify that they have initiated appropriate controls to mitigate the identified risks and that the controls have operated effectively.

Consistent with good governance and accountability, reports on these certifications are then presented to the Audit and Risk Committee, which assesses whether the existing control structure is adequate or whether additional action needs to be undertaken. The Committee also monitors resolution of any incidents/breaches that may arise, as well as issues identified by internal and external auditors.

Now the Trustee has become an RSE licensee, any amendment of the RMS/RMP must be reported to APRA within 14 days. Any breach of the RMS/RMP must be reported within 10 days.

## Compliance framework

The Compliance Framework, which is based on AS/NZS 3806, supports the early detection, reporting, and management of issues in line with regulatory and legislative requirements, and key policies and contracts.

The compliance framework also assists in developing a compliance culture through awareness, training, and implementing performance systems which include assessment of compliance behaviours and meeting compliance obligations.

Similar to the risk management framework, the compliance framework is monitored by the Audit and Risk Committee and the Trustee (including reporting of exceptions), in line with the various practices governing operation of the risk and compliance Frameworks.

### Governance

The governance system is a key feature of the Risk Management Framework in that it ensures that effective structures are in place to support the way in which the trustee's obligations will be met. The system outlines the distribution of delegations and responsibilities among the QSuper Board, managers, shareholders, and other stakeholders, and spells out the rules and procedures for making decisions on corporate matters. Through the effective application of this system, accountability by all officers to act in the best interests of the Fund is reinforced.

During 2008/2009, a number of Trustee policies were reviewed or created in line with regulatory requirements. Examples include a document due diligence program and policies dealing with managing conflicts of interest, trustee fitness and propriety, adequacy of resources, and monitoring the performance of material outsourced arrangements.

# Appendix

## Resourcing

This component of the framework is about ensuring the trustee has sufficient trained/qualified resources (HR, IT, and financial) to meet its objectives. The trustee manages its resources through its wholly owned subsidiary, QSL. QSL manages the day-to-day operations of QSuper. A number of activities are undertaken during the year to ensure adequacy of resources, including:

- an annual budget-setting process, and regular monitoring and reporting on tracking against forecasts
- the implementation of an annual training and development program for trustees and other responsible officers and key staff
- a requirement for all staff to complete mandatory risk and compliance related training.

## Internal audit program

Following the risk workshop and consultation with key stakeholders, the internal auditors prepare an internal audit plan for review and approval by QSuper's Audit and Risk Committee. In determining which areas to audit, consideration is given to the work undertaken by the QSuper Board's external auditors and the internal risk and compliance program. During 2008/2009, some of the audits completed were:

- preserved member benefits
- business continuity planning and disaster recovery
- core business testing
- risk management and compliance
- IT services
- IT security.

The recommendations of the internal auditors have been, or are in the process of being, implemented.

## External audit – Queensland Audit Office (QAO)

The external auditor, QAO, audits both the Fund and QSuper Limited's financial statements.

QAO also relies upon various aspects of the work performed by the internal auditor, in addition to reviewing the QSuper Board's internal risk and compliance programs. QAO makes recommendations as to issues warranting further attention. Any such recommendations are considered and acted upon, following assessment by management, the Audit and Risk Committee, and the QSuper Board.

## Trustee policies

### Fraud and ethics

QSuper and QSuper Limited have in place a Fraud and Corruption Control Policy, which was developed after considering the recommendations made in the Australian Standard on *Fraud and Corruption Control AS8001*. The policy approaches the control of fraud and corruption through processes such as:

- risk management
- establishing clear reporting policies and procedures.

QSuper and QSuper Limited's culture promotes responsible and ethical behaviour from all staff. Periodic training maintains staff awareness of fraud and corruption, and the importance of ethics. A program of ongoing monitoring aims to ensure any risks are identified and remedied quickly. Employees who have concerns with ethical issues or potential fraud are encouraged to report these to the CMC Liaison Officer or senior Risk and Compliance staff.

## Whistleblower protection

The QSuper and QSuper Limited Fraud and Corruption Control Policy protects whistleblowers from reprisal and serves to encourage the responsible reporting of legitimate concerns. The Crime and Misconduct Commission also operates a whistleblower support program. These protections are also located in the *Whistleblowers Protection Act 1994* (Qld).

## Privacy

QSuper's privacy arrangements are set out in the Treasury Privacy Plan, which incorporates the eleven information privacy principles contained in the Queensland Government's *Information Standard 42*. This plan is available by contacting QSuper or accessing the QSuper website at [qsuper.qld.gov.au](http://qsuper.qld.gov.au).

## Freedom of Information

Members have a right to access and amend their personal information held by QSuper, as provided by the *Freedom of Information Act 1992* (Qld) (the FOI Act).

Other parties can also lodge a request, including individuals, media, solicitors, union representatives, and politicians. Such requests may only deal with information relating to themselves or their client, or general Fund information. Requests for personal information are free. Other requests generally attract a fee of \$38. In some circumstances, further charges may apply.

Requests are managed under the FOI Act by completing a *Queensland Treasury Freedom of Information* application form, or writing a letter requesting the information.

Information requests should be sent to:

Manager, Freedom of Information  
Queensland Treasury  
GPO Box 611  
Brisbane Qld 4001  
Ph: (07) 3224 4171

Requests lodged under the FOI Act must be officially acknowledged within 14 days of receipt and completed within 45 days of receipt. In instances where non-personal information that was produced prior to 19 November 1987 is requested, or where consultation needs to be undertaken with third parties, the FOI Act provides for the requests to be completed within 60 days.

## Major service providers

### Administrator

QSuper Limited (ABN 50 125 248 286  
AFSL 334 546)  
Central Plaza Three  
70 Eagle Street  
Brisbane Qld 4000

### Investment manager and Investment consultant

QIC Limited (ABN 95 942 373 762)  
Level 6, Central Plaza Two  
66 Eagle Street  
Brisbane Qld 4000

### Financial planning

Q Invest Limited (ABN 35 063 511 580  
AFSL 238 274)  
Level 8, Central Plaza Two  
66 Eagle Street  
Brisbane Qld 4000

### Internal auditor

Ernst & Young  
Level 5, Waterfront Place  
1 Eagle Street  
Brisbane Qld 4000

### External auditor

Queensland Audit Office  
Level 11, Central Plaza One  
345 Queen Street  
Brisbane Qld 4000

### Actuary

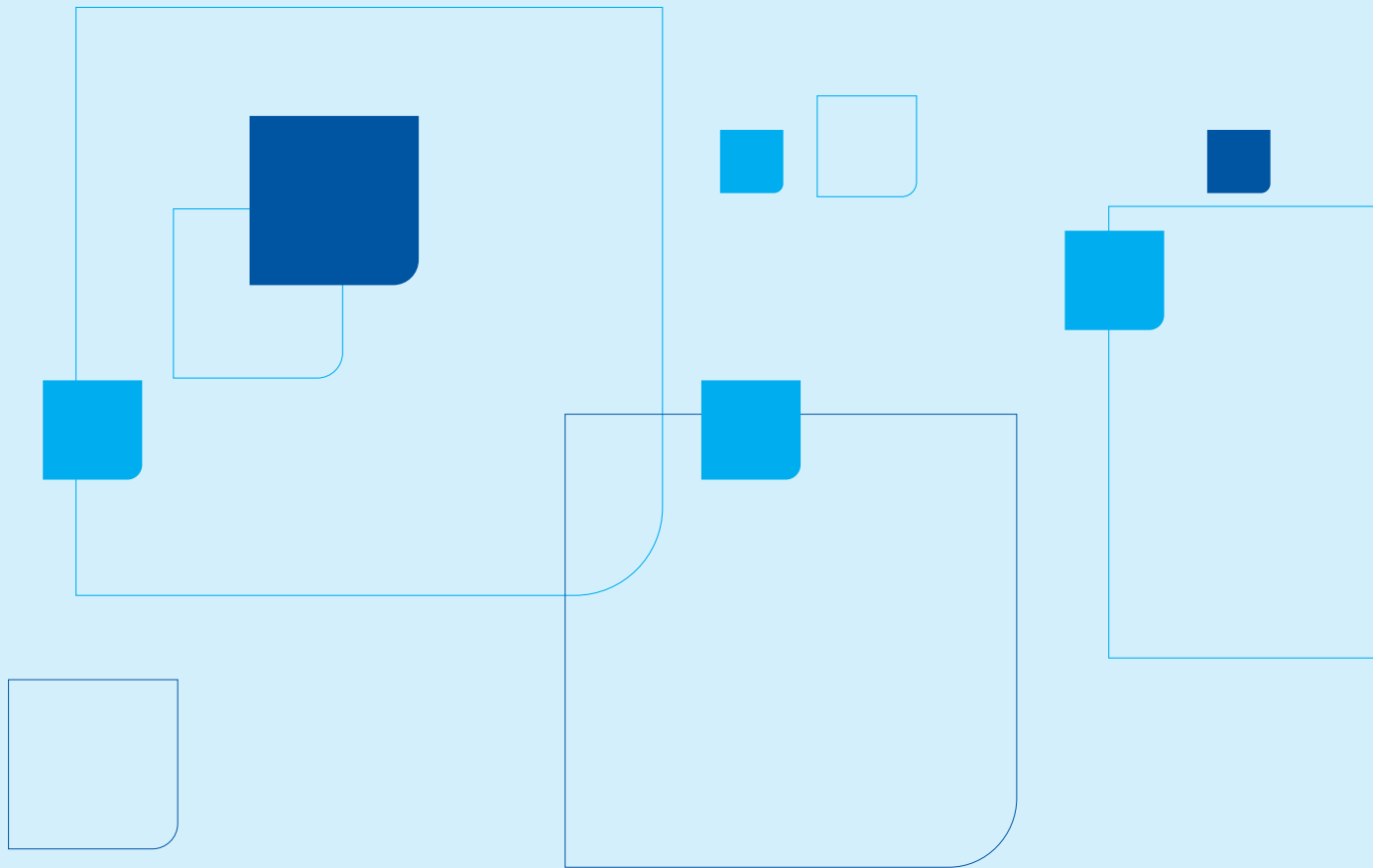
State Actuary  
Level 2  
33 Charlotte Street  
Brisbane Qld 4000

### Investment consultant

Watson Wyatt Australia Pty Limited  
Level 4  
1 Collins Street  
Melbourne Vic 3000

# State Public Sector Superannuation Scheme

Annual financial statements  
for the year ended 30 June 2009



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Summary report on the actuarial investigation

# Statement of net assets

as at 30 June 2009

	Notes	2009 \$'000	2008 \$'000
<b>ASSETS</b>			
<b>Cash</b>	1(c)	<b>53,869</b>	<b>44,503</b>
<b>Receivables</b>			
Employer contributions receivable	1(d), 1(l)	22,270	20,381
Member contributions receivable	1(d), 1(l)	3,367	3,205
GST receivable	1(d), 1(e)	2,341	2,077
Interest receivable	1(d)	145	198
Sundry receivables and prepayments	1(d)	3,199	2,192
		<b>31,322</b>	<b>28,053</b>
<b>Investments</b>			
Investment in unit trusts	1(f), 4	22,900,827	24,741,485
Investment in Q Invest Limited	1(f), 5	21	565
Investment in QSuper Limited	1(f), 6	37,730	29,488
		<b>22,938,578</b>	<b>24,771,538</b>
<b>Deferred tax asset</b>	1(i), 14	<b>462,932</b>	<b>173,674</b>
<b>TOTAL ASSETS</b>		<b>23,486,701</b>	<b>25,017,768</b>
<b>LIABILITIES</b>			
<b>Payables</b>			
Benefits payable	1(g)	8,155	15,562
Administration and investment management fees payable	1(h), 15	31,046	15,170
Sundry payables	1(h)	628	744
		<b>39,829</b>	<b>31,476</b>
<b>Tax liabilities</b>			
Current tax liabilities	1(i)	(35,225)	244,958
Deferred tax liability	1(i), 14	3,728	48,867
Provision for superannuation contributions surcharge	1(j)	74,831	77,734
		<b>43,334</b>	<b>371,559</b>
<b>TOTAL LIABILITIES</b>		<b>83,163</b>	<b>403,035</b>
<b>NET ASSETS AVAILABLE TO PAY BENEFITS</b>		<b>23,403,538</b>	<b>24,614,733</b>
<b>Represented by:</b>			
Reserves	9	330,553	575,571
Accumulated funds	10	23,072,985	24,039,162
<b>NET ASSETS AVAILABLE TO PAY BENEFITS</b>		<b>23,403,538</b>	<b>24,614,733</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 2009

	Notes	2009 \$'000	2008 \$'000
<b>NET ASSETS AVAILABLE TO PAY BENEFITS</b>			
<b>at the beginning of the financial year</b>		<b>24,614,733</b>	<b>22,698,230</b>
<b>Investment revenue</b>			
Distributions from unit trusts	1(l), 4	340,798	2,097,721
Change in net market value of investments	1(l), 11	(3,398,825)	(3,002,416)
Investment management fees	15(e)	(78,242)	(38,054)
Interest revenue	1(l)	1,898	1,971
		<b>(3,134,371)</b>	<b>(940,778)</b>
<b>Contribution revenue</b>			
Employer contributions	1(l), 12	2,653,400	3,075,303
Member contributions	1(l), 13	729,932	1,112,419
Transfers from other funds	1(l)	346,190	512,658
		<b>3,729,522</b>	<b>4,700,380</b>
<b>Other revenue</b>			
Sundry revenue	1(l)	436	1,069
Gain from net assets transferred in	3	–	78,200
		<b>436</b>	<b>79,269</b>
<b>Total revenue</b>		<b>595,587</b>	<b>3,838,871</b>
<b>Less:</b>			
<b>Benefits paid</b>			
<b>General administration expenses</b>			
Administration fee	15(c)	69,238	54,527
Financial planning fee	15(d)	13,744	12,684
Superannuation contributions surcharge	1(j)	5,044	5,135
Insurance premiums	18	3,977	1,656
		<b>92,003</b>	<b>74,002</b>
<b>Total expenses</b>		<b>1,837,777</b>	<b>2,101,053</b>
<b>Total change in net assets before income tax</b>		<b>(1,242,190)</b>	<b>1,737,818</b>
<b>Income tax expense</b>	14	<b>(30,995)</b>	<b>(178,685)</b>
<b>Total change in net assets after income tax</b>		<b>(1,211,195)</b>	<b>1,916,503</b>
<b>NET ASSETS AVAILABLE TO PAY BENEFITS</b>			
<b>at the end of the financial year</b>		<b>23,403,538</b>	<b>24,614,733</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 2009

## 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 *Superannuation (State Public Sector) Act 1990*, Australian Accounting Standard AAS 25 *Financial Reporting by Superannuation Plans* (AAS 25), other applicable Australian Accounting Standards and authoritative pronouncements of the Australian Accounting Standards Board, and the provisions of the *Superannuation (State Public Sector) Deed 1990*.

These financial statements have been prepared on an 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.

#### *Rounding*

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

### (b) Statement of compliance

The financial statements comply with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Since AAS 25 is the principal standard that applies to the financial statements, other standards, including AIFRS, are also applied where necessary except to the extent that they differ from AAS 25.

These financial statements have been prepared as separate financial statements, and do not consolidate the financial statements of the State Public Sector Superannuation Scheme's (QSuper's) wholly owned subsidiary, QSuper Limited. AASB 1031 *Materiality* has been applied in determining that the investment in the subsidiary and the transactions of the subsidiary are not material, and therefore AASB 127 *Consolidated and Separate Financial Statements* has not been applied.

### (c) Cash

Cash represents cash at bank.

### (d) Receivables

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

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

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

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

### (f) Investments

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

QSuper holds the majority of its investments in unit trusts, which are recorded at net market value (refer note 4). 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.

QSuper has a 50% interest in Q Invest Limited (refer note 5) and a 100% interest in QSuper Limited (refer note 6). These investments are measured at QSuper's share of net assets at reporting date based on holdings. This is achieved by adjusting the carrying amount of the investment to reflect the share of net assets of the investment for that period. This approximates net market value.



# Notes to the financial statements

for the year ended 30 June 2009

## Note 1 Significant accounting policies (continued)

### (g) Benefits payable

Benefits payable by QSuper 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 *Superannuation (State Public Sector) Deed 1990* and the *Superannuation (State Public Sector) Act 1990*.

### (h) Payables

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

### (i) Taxation

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

Income tax on the change in net assets as a result of operations for the year comprises current and deferred tax. Income tax is recognised in the statement of changes in net assets.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantially enacted at the statement of net assets date and any adjustment to tax payable in respect of previous years.

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

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

### (j) Superannuation contributions surcharge

Superannuation contributions surcharge was levied on surchargeable contributions on the basis of individual members' adjusted taxable incomes. The liability for the superannuation contributions surcharge is recognised when the assessment is received from the Australian Taxation Office as the QSuper Board of Trustees (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.

The *Superannuation Laws Amendment (Abolition of Surcharge) Act 2005* abolished both the superannuation contributions surcharge and the termination payments surcharge in respect of superannuation contributions and certain termination payments made or received on or after 1 July 2005. Assessments for surcharge in respect of contributions and payments for the year ended 30 June 2005 and prior years will continue to be issued and remain payable.

### (k) Liability for accrued benefits

#### *Defined Benefit account*

The liability for accrued defined benefits is actuarially measured on at least a triennial basis. This liability represents QSuper's obligation to pay benefits in the future, and is determined on the basis of the present value of expected future payments which arise from membership of the scheme up to the measurement date. The figure is determined by reference to expected future salary levels and by application of a market-based, risk-adjusted discount rate and relevant actuarial assumptions (refer note 7).

#### *Accumulation account*

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

# Notes to the financial statements

for the year ended 30 June 2009

## Note 1 Significant accounting policies (continued)

### (l) Revenue

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

- Distribution income is accounted for on an accrual basis. Distribution income is recognised when QSuper becomes presently entitled to the trust income.
- Changes in net market value of investments 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, gross of any tax, 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 are brought to account when received.
- Interest income and sundry revenue is accounted for on an accrual basis.

### (m) Change in accounting policy interpretation

During the year, the Board reviewed the recognition criteria for the various components of the distributions made by QIC and partially reclassified amounts shown as distributions in the 30 June 2008 financial statements between distributions from unit trusts and change in net market value of investments on the statement of changes in net assets. The comparatives have been restated to the effect of an increase in distributions from unit trusts of \$2,725,000,000 and a decrease in change in net market value of investments of \$2,725,000,000. The net effect does not change the total revenue or equity balances disclosed in the prior year nor does the reclassification have an impact on the statement of net assets.

## Note 2 Operation of QSuper

QSuper 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. QSuper consists of Defined Benefit, Accumulation, and Allocated Pension accounts.

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

QSuper receives all member superannuation contributions. QSuper also receives employer contributions through a mixture of regular employer contributions and payments from the Consolidated Fund (refer note 13). Contribution rates in relation to QSuper's defined benefit funding are determined by the Treasurer on the advice of the State Actuary. The funding arrangements are explained in note 13.

QSuper is administered by QSuper Limited (refer note 15).

# Notes to the financial statements

for the year ended 30 June 2009

## Note 3 Merger of the Parliamentary Contributory Superannuation Fund

The *Superannuation (State Public Sector) Amendment Act 2007* (Amendment Act), which received assent on 28 February 2007, amended the *Superannuation (State Public Sector) Act 1990*. The relevant provisions of the Amendment Act commenced on 1 July 2007 and provided for the transfer of the Parliamentary Contributory Superannuation Fund members and assets to QSuper, discontinuation of the Parliamentary Contributory Superannuation Fund, and the dissolution of the body corporate immediately prior to the repeal of the *Parliamentary Contributory Superannuation Act 1970*.

Consequently, the statement of changes in net assets showed a gain from net assets transferred in of \$78,200,000, this being the net asset position of the Parliamentary Contributory Superannuation Fund that merged at midnight on 30 June 2007.

## Note 4 Investment in unit trusts

	Notes	2009 \$'000	2008 \$'000
Queensland Investment Trust (QIT) No. 1	(i)	14,627,511	15,013,637
Queensland Investment Trust (QIT) No. 2	(ii)	4,104,390	5,630,987
QIC Growth Fund	(ii)	63,696	76,883
QIC Cash Fund	(ii)	6,545	242
QIC Property Fund	(iii)	2,137,291	2,360,163
QIC International Property Fund	(iii)	233,152	411,618
QIC Diversified Infrastructure Fund No. 1	(iii)	845,736	432,162
QIC International Property Development Trust	(iii)	668	773
QIC Strategy Fund No. 1	(iii)	591,269	606,234
QIC Private Equity Fund No. 1	(iii)	290,569	208,786
<b>Investments in unit trusts – QIC</b>		<b>22,900,827</b>	<b>24,741,485</b>

- (i) Funds held in relation to Accumulation and Allocated Pension account members.
- (ii) Funds held in relation to Defined Benefit account members only.
- (iii) Funds held in relation to Accumulation, Defined Benefit, and Allocated Pension account members.

### *Investments held with QIC*

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

# Notes to the financial statements

for the year ended 30 June 2009

## Note 4 Investment in unit trusts (continued)

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

### International equities

Aletheia Research and Management Incorporated (USA)  
Alliance Bernstein Investment Management Australia Limited (Global)  
Altrinsic Global Advisors, LLC (Global)  
AQR Capital Management, LLC (Global)  
Arnhold and S. Bleichroeder Advisers, LLC (USA)  
AXA Rosenberg Investment Management Asia Pacific Ltd (Europe)  
City of London Investment Management Company Limited (Emerging Markets)  
Clarivest Asset Management, LLC (Global)  
Henderson Global Investors Ltd (Global)  
IronBridge Capital Management, LP (Global)  
Ironwood Investment Management, LLC (USA)  
KV Services Limited (Knight Vinke)  
Lazard Asset Management Pacific Co (Global)  
Lazard Asset Management Pacific Co (Japan)  
Legg Mason International Equities (Singapore) Pte (Asia ex Japan)  
Numeric Investors, LLC (USA)  
Pengana Capital Ltd (Global)  
Sandringham Capital Partners Ltd (Japan)  
Sandringham Capital Pty Ltd (Global)  
State Street Global Advisors, Australia, Limited (Global)  
Vanguard Investments Australia Ltd (Global)  
Yeoman Capital Management Pte Ltd (Asia x Japan)

### Australian equities

Macquarie Group Limited (Funds Management)  
Schroder Investment Management Australia Limited  
State Street Global Advisors, Australia, Limited  
Vanguard Investments Australia Ltd

### Global macro

Barclays Global Investors  
Bridgewater Associates Inc. (USA)  
FDO Partners, LLC (USA)  
First Quadrant, LP (USA)  
Goldman Sachs Asset Management (USA)

### Global fixed interest

Goldman Sachs Asset Management  
Oakhill Advisors (USA)  
Putnam Investments

### Socially responsible

AMP Capital Investors Limited

### Managed funds

Global Endowment Management, LP (GEM)  
Makena Capital Management, Inc. (Global)

### Incubator assets

Colonial First State Global Asset Management  
Northwater Capital Management Inc. (Global)

# Notes to the financial statements

for the year ended 30 June 2009

## Note 5 Investment in Q Invest Limited

QSuper 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 the responsible entity for the Q Invest Investment Access Funds. The reporting value of the investment as at 30 June 2009 approximates net market value.

## Note 6 Investment in QSuper Limited

QSuper holds a 100% interest in QSuper Limited. QSuper Limited's principal activities consist of providing key administration services to QSuper as well as ancillary services to Queensland Treasury. The reporting value of the investment as at 30 June 2009 approximates net market value.

## Note 7 Liability for accrued benefits

The last actuarial review of QSuper was conducted as at 30 June 2007 by the State Actuary, Mr W H Cannon BSc (Hons) FIAA FFin. The value of accrued benefits as at that date was \$39,557,330,000. A summary of the most recent actuarial report prepared for QSuper is attached to, but does not form part of, these financial statements. The summary includes the State Actuary's opinion as to the financial condition of QSuper as at that date.

The difference existing between net assets available to pay benefits per the statement of net assets and the value of accrued benefits as at measurement date is explained by QSuper's funding arrangements. Further details are provided in note 13.

The next actuarial review of QSuper will be performed as at 30 June 2010. The results of this review will be reported in the 30 June 2011 financial statements.

## Note 8 Vested benefits

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

	2009 \$'000	2008 \$'000
<b>Vested benefits</b>	<b>45,008,354</b>	<b>44,015,956</b>

The difference between net assets available to pay benefits and the value of vested benefits as at reporting date is explained by QSuper's funding arrangements (refer note 13).

# Notes to the financial statements

for the year ended 30 June 2009

## Note 9 Reserves

	Balance at beginning of financial year \$'000	Transfers (to)/from accumulated funds \$'000	Balance at end of financial year \$'000
General	408,087	(250,942)	157,145
Investment fluctuation	4,988	3,811	8,799
Insurance	162,496	2,113	164,609
<b>Reserves</b>	<b>575,571</b>	<b>(245,018)</b>	<b>330,553</b>

General reserve: this reserve is used to fund taxation, general administrative, and operational expenses.

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

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

## Note 10 Accumulated funds

Notes	2009 \$'000	2008 \$'000
Balance at the beginning of financial year	24,039,162	22,032,744
Total change in net assets after income tax	(1,211,195)	1,916,503
Transfers (to)/from reserves	245,018	89,915
<b>Balance at end of financial year</b>	<b>23,072,985</b>	<b>24,039,162</b>
Represented by:		
Accumulated member funds	22,173,430	23,020,915
Accumulated employer funds (i)	899,555	1,018,247
<b>Accumulated funds</b>	<b>23,072,985</b>	<b>24,039,162</b>

(i) Employer contributions received to date from the Treasurer transferred from the Consolidated Fund.

## Note 11 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.

# Notes to the financial statements

for the year ended 30 June 2009

## Note 12 Employer contributions

	Notes	2009 \$'000	2008 \$'000
<i>Accumulation account</i>			
Employer contributions		1,560,070	1,293,625
<i>Defined Benefit account</i>			
Employer contributions – salary sacrifice		193,330	181,678
Employer contributions – Consolidated Fund	(i)	900,000	1,600,000
		1,093,330	1,781,678
<b>Employer contributions</b>		<b>2,653,400</b>	<b>3,075,303</b>

Employer salary sacrifice contributions in the Defined Benefit account represent standard contributions members have chosen to salary sacrifice. Salary sacrificed contributions are classified as employer contributions. Refer to note 13 for further details in relation to employer contribution funding arrangements.

(i) Contributions received from the Treasurer transferred from the Consolidated Fund.

## Note 13 Funding arrangements

### *Defined Benefit arrangement*

Standard members' contributions are made to QSuper at a rate ranging from 2% to 11.5% (2008: 2% to 11.5%) of members' salaries.

Employing authorities are required to remit defined benefit employer contributions (excluding salary sacrifice contributions) to Queensland Treasury. These contributions are accumulated in a reserve in the Consolidated Fund, which is maintained to finance the State's future liability for the employer component of all defined benefits. The Treasurer, on advice from the State Actuary, determines the rate of employer contribution into the Consolidated Fund.

As defined benefits become payable, the full cost is met by QSuper, 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 1990*). Alternatively, the *Superannuation (State Public Sector) Act 1990* allows the transfer of amounts from the Consolidated Fund to QSuper in circumstances and at times other than funding the immediate payment of benefits. Transfers occurred monthly from July 2008 to June 2009, when amounts of \$75 million were transferred to QSuper from the Consolidated Fund each month (2009: \$900 million, 2008: \$1.6 billion). These transfers are considered to approximate last minute funding.

### *Accumulation arrangement*

Where members have chosen an accumulation-style benefit, all member and employer contributions are paid to QSuper, 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 above-mentioned last minute funding arrangement. Employer contributions to QSuper for members who do not contribute are at a rate ranging from 3% to 9% (2008: 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 18%. Non-core employers may choose to enter into special arrangements that may differ from these standard arrangements. Members may also choose to pay additional voluntary contributions.

# Notes to the financial statements

for the year ended 30 June 2009

## Note 14 Income tax expense

	2009 \$'000	2008 \$'000
Major components of income tax expense are:		
<i>Current income tax</i>		
Current income tax expense	307,304	527,527
Adjustments in respect of current income tax of previous years	(3,902)	3,716
<i>Deferred income tax</i>		
Movement in deferred tax asset	(289,258)	(173,674)
Movement in deferred tax liability	(45,139)	(536,254)
<b>Income tax expense reported in statement of changes in net assets</b>	<b>(30,995)</b>	<b>(178,685)</b>
A reconciliation between income tax expense and the accounting profit before income tax multiplied by the applicable tax rate is as follows:		
(Decrease)/increase in net assets before income tax	(1,242,190)	1,737,818
At the tax rate of 15%	(186,329)	260,673
<i>Tax effect of non-deductible expenses and non-assessable income in calculating the taxable amount</i>		
Return on investments	490,594	398,626
Benefits paid	261,866	304,057
Member contributions	(104,531)	(160,572)
Transfers from other funds	(50,744)	(75,028)
Superannuation contributions surcharge	757	770
Unrealised capital gains	(587,005)	(710,591)
Notional premium for death or disability cover	(34,650)	(29,250)
Net imputation and foreign tax credits	(66,922)	(119,463)
Other differences	249,871	(51,623)
	(27,093)	(182,401)
(Over)/under provision for taxation – prior year	(3,902)	3,716
<b>Income tax expense reported in statement of changes in net assets</b>	<b>(30,995)</b>	<b>(178,685)</b>



# Notes to the financial statements

for the year ended 30 June 2009

## Note 14 Income tax expense (continued)

	2009 \$'000	2008 \$'000
Deferred income tax relates to the following:		
<i>Movements in deferred tax asset</i>		
Opening balance	173,674	–
Change to statement of changes in net assets	289,258	173,674
	<b>462,932</b>	<b>173,674</b>
<i>Deferred tax asset comprises:</i>		
Quarantined capital losses	441,147	172,116
Quarantined foreign tax credits	1,604	1,558
Investments held	20,151	–
Other	30	–
<b>Total deferred tax asset</b>	<b>462,932</b>	<b>173,674</b>
<i>Movements in deferred tax liability</i>		
Opening balance	48,867	585,121
Change to statement of changes in net assets	(45,139)	(536,254)
	<b>3,728</b>	<b>48,867</b>
<i>Deferred tax liability comprises:</i>		
Contributions receivable	3,341	3,057
Interest income receivable	22	30
Unrealised gains in investment subject to capital gains tax	365	45,780
<b>Total deferred tax liability</b>	<b>3,728</b>	<b>48,867</b>

## Note 15 Related parties

### (a) Trustees

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

#### *Member representatives*

Ms Karen Shirley Peut

Mr Stephen Robert Ryan

Mr Kilian Thomas Jeffers

Ms Lorraine Gay Hawksworth

Ms Amanda Marion Richards  
(appointed September 2008)

Mr Michael Ian Barnes  
(appointed June 2009)

Mr Cameron Charles Pope  
(appointed September 2008,  
resigned March 2009)

#### *Employer representatives*

Mr Robert Ernest Scheuber

Mr John Joseph Carpendale

Mr Peter Henneken

Ms Natalie Margaret MacDonald

Mr Walter Ivessa  
(appointed June 2009)

Ms Norelle Deeth  
(appointed June 2009)

Mr Gerard Patrick Bradley  
(resigned May 2009)

Ms Teresa Mary Hamilton  
(resigned April 2009)

# Notes to the financial statements

for the year ended 30 June 2009

## Note 15 Related parties (continued)

### (a) Trustees (continued)

During the financial year, changes to the Board included the appointment of five new Trustees and the resignation of three Trustees, including Mr Bradley who was the Chairman of the Board until his resignation on 31 May 2009. Mr Scheuber was appointed as Chairman of the Board on 1 June 2009.

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

Fees for attendance at Trustee meetings are paid to non-Queensland Government employees personally or to their employing organisations.

### (b) Employer sponsor

Employer funding arrangements are discussed in note 13.

### (c) QSuper Limited

QSuper has a 100% ownership interest in QSuper Limited. QSuper Limited provides fund administration services to QSuper and is paid an administration fee. The fee covers all administration costs including superannuation administration, audit, actuarial fees, legal fees, and medical costs. During the financial year, administration fees paid/payable to QSuper Limited for services provided aggregated \$69,238,000 (2008: \$54,527,000).

### (d) Q Invest Limited

QSuper has a 50% ownership interest in Q Invest Limited. Q Invest Limited provides financial planning advice to QSuper members. During the financial year, financial planning fees paid/payable to Q Invest Limited for services provided aggregated \$13,744,000 (2008: \$12,684,000).

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

### (e) QIC

QIC is QSuper's lead 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.

During the financial year, investment management fees paid/payable to QIC for services provided aggregated \$78,242,000 (2008: \$38,054,000). The investment management fees increased primarily as a result of the inclusion of performance fees for the year ended 30 June 2008 in the current year rather than in the prior year. The performance fees were unknown at the time of preparing the financial statements last year and have therefore been paid and recorded as an expense in the current year.

### (f) Related party QSuper members

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

## Note 16 Financial instruments

### (a) General

QSuper's principal financial instruments are units in unlisted trusts held with QIC. The main purpose of these financial instruments is to generate a return on investments.

QSuper also has various other financial instruments such as sundry receivables and payables, which arise directly from its operations; these are current in nature.

Risks arising from holding financial instruments are inherent in QSuper's activities. QSuper, via its investment in the QIC vehicle, has investments in a variety of financial instruments, including derivatives, which exposes QSuper to credit risk, liquidity risk, and market risk.

# Notes to the financial statements

for the year ended 30 June 2009

## Note 16 Financial instruments (continued)

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

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

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

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

### (b) Credit risk

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

QSuper is exposed to credit risk through its investments in unit trusts with QIC, deposits held with banks, and receivables. The current exposure is equal to the net market value of these instruments as disclosed in the statement of net assets. This does not represent the maximum risk exposure that could arise in the future as a result of changes in values, but best represents the current maximum exposure at the reporting date.

QIC is QSuper's lead investment manager as stipulated in the *Superannuation (State Public Sector) Act 1990*. QIC invests with a wide variety of high credit rating counterparties (refer note 4). The Board may appoint other investment managers if it so chooses.

QSuper holds no collateral as security or any other credit enhancements. There are no significant financial assets that are past due or impaired, and none have been renegotiated. Credit risk is not considered to be significant to QSuper.

### (c) Liquidity risk

Liquidity risk is the risk that QSuper will encounter difficulty in meeting obligations associated with financial liabilities. This risk is controlled through QSuper's investment in unit trusts, which under normal market conditions are convertible to cash over a reasonable period. In addition, QSuper maintains sufficient cash at bank deposits to meet normal operating requirements and likely benefit payments.

QSuper is exposed to liquidity risk through its normal course of business. QSuper's significant financial liabilities are benefits payable to members. Other financial liabilities of QSuper comprise administration and investment management fees payable and sundry payables. The current exposure is equal to the net market value of these instruments as disclosed in the statement of net assets, and in notes 7 and 8 for accrued and vested benefits respectively.

Benefit claims are considered on demand, therefore QSuper is exposed to the liquidity risk of meeting members' withdrawals at any time. QSuper considers it is highly unlikely that all members will request to roll over their superannuation fund account at the same time. The funding arrangements in place for member benefits are explained in note 13.

# Notes to the financial statements

for the year ended 30 June 2009

## Note 16 Financial instruments (continued)

### (d) Market risk

Market risk is the risk that the net market value of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, and equity prices. Market risk is minimised through ensuring that all investment activities are undertaken in accordance with established mandate limits and investment strategies.

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

#### *Interest rate risk*

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the net market values of financial instruments.

QSuper is exposed to interest rate risk through cash held in the bank account. The current exposure is equal to the net market value of this instrument as disclosed in the statement of net assets and is not considered significant.

#### *Other market price risk*

Other market price risk is the risk that the value of the instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual instrument, its issuer, or all factors affecting all instruments in the market. Through its investments in unit trusts, QSuper is exposed to interest rate risk and currency risk, however these are categorised as other market price risk for the purposes of risk management disclosure. As QSuper's financial instruments are valued at net market value with changes in net market value recognised in the statement of changes in net assets, all changes in market conditions will directly affect investment revenue.

QSuper's exposure to other market price risk is limited to investments in unit trusts, currently equal to the net market value shown on the statement of net assets. Other market price risk is mitigated by QSuper's diversified portfolio of investments in unit trusts in accordance with the investment strategy approved by the Board. The investment strategy targets a widely diversified portfolio, across a broad range of asset classes. The Board monitors QSuper's performance on an ongoing basis throughout the year ensuring the investment strategy mandate is not breached.

A sensitivity analysis for change in net assets and net assets available to pay benefits has been estimated using reasonably possible changes in risk variables based on the various indices applicable to the underlying assets of the unit trusts, which have been determined by QIC. The sensitivity analysis has been performed on a before tax basis.

# Notes to the financial statements

for the year ended 30 June 2009

## Note 16 Financial instruments (continued)

Investment in unit trusts	2009		2008	
	Change in net assets and investment revenue		Change in net assets and investment revenue	
	%	\$'000	%	\$'000
Queensland Investment Trust (QIT) No. 1	-16.00	(2,340,402)	-5.00	(750,682)
	+15.00	2,194,127	+20.00	3,002,727
Queensland Investment Trust (QIT) No. 2	-29.00	(1,190,273)	-5.00	(281,549)
	+29.00	1,190,273	+20.00	1,126,197
QIC Growth Fund	-6.00	(3,822)	-9.00	(6,919)
	+15.00	9,554	+18.00	13,839
QIC Cash Fund	0.00	0	-0.50	(1)
	0.00	0	+0.25	1
QIC Property Fund	-14.00	(299,221)	-0.25	(5,900)
	0.00	0	+0.25	5,900
QIC International Property Fund	-4.00	(9,326)	-0.25	(1,029)
	+4.00	9,326	+0.25	1,029
QIC Diversified Infrastructure Fund No. 1	-13.00	(109,946)	-5.00	(21,608)
	+27.00	228,349	+5.00	21,608
QIC International Property Development Trust	-2.00	(13)	-0.25	(2)
	+2.00	13	+0.25	2
QIC Strategy Fund No. 1	-7.00	(41,389)	-5.00	(30,312)
	+15.00	88,690	+20.00	121,247
QIC Private Equity Fund No. 1	-11.00	(31,963)	-15.00	(31,318)
	+23.00	66,831	+5.00	10,439

### (e) Fair value

QSuper's financial instruments are measured at net market value, which approximates net fair value. The methods of determining net market value are described in note 1(f).

## Note 17 Capital guarantee

The QSuper Defined Benefit account 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. This guarantee was invoked for the year ended 30 June 2009 and a reimbursement applied to VPP members.

The accumulated premiums levied up to 30 June 2009 (net of reimbursements) are \$6,573,000 (2008: \$10,849,000).

## Note 18 Insurance

Eligible employees of a small number of employers are covered by external insurance arrangements, whilst the majority of QSuper members have their insurance provided by QSuper on a self-insurance basis. Refer to note 9.

## Note 19 Segment information

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

# Notes to the financial statements

for the year ended 30 June 2009

## **Note 20 Commitments and contingent liabilities**

The Board, together with QIC, have provided a guarantee to adequately fund Q Invest Limited to ensure that it can meet its obligations under Australian Securities and Investment Commission licensing requirements.

QSuper has no other known commitments or contingent liabilities as at 30 June 2009.

## **Note 21 Post balance date events**

QSuper received its Registrable Superannuation Entity licence from the Australian Prudential Regulation Authority on 9 July 2009 making QSuper subject to the Commonwealth regulatory framework from that date. This will impact on QSuper's regulatory reporting framework.

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

# Statement of the QSuper Board of Trustees

of the State Public Sector Superannuation Scheme for the year ended 30 June 2009

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

1. The accompanying financial statements of QSuper are properly drawn up so as to present a true and fair view of the net assets of QSuper as at 30 June 2009 and the changes in net assets for the year ended on that date.
2. The accompanying financial statements have been prepared in accordance with the provisions of the *Superannuation (State Public Sector) Act 1990* and with Australian Accounting Standards and other mandatory professional reporting requirements in Australia.
3. The accompanying financial statements are in agreement with the accounts and records of QSuper and the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects.
4. QSuper has been conducted in accordance with the *Superannuation (State Public Sector) Deed 1990* and the requirements of the *Superannuation (State Public Sector) Act 1990*.



**R E Scheuber**  
Chairman



**R A Vilgan**  
Chief Executive Officer

Brisbane  
1 September 2009

# Independent auditor's report

## to the Board of trustees of the State Public Sector Superannuation Scheme

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

The auditor's report relates to the financial report of the State Public Sector Superannuation Scheme (QSuper) for the financial year ended 30 June 2009 included on the QSuper website. The Trustees are responsible for the integrity of the QSuper website. I have not been engaged to report on the integrity of the QSuper website. The auditor's report refers only to the statements named below. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report, available from QSuper, to confirm the information included in the audited financial report presented on this website.

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

### **Report on the financial report**

I have audited the accompanying financial report of the State Public Sector Superannuation Scheme (QSuper) which comprises the statement of net assets as at 30 June 2009, the statement of changes in net assets for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the statement given by the Chairman of the Board of Trustees and Chief Executive Officer.

#### *The Trustees' responsibility for the financial report*

The Trustees of QSuper are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the requirements of the *Superannuation (State Public Sector) Act 1990*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's responsibility*

My responsibility to express an opinion on the financial report based on the audit is prescribed in the *Auditor-General Act 2009*. This Act, including transitional provisions, came into operation on 1 July 2009 and replaces the previous requirements contained in the *Financial Administration and Audit Act 1977*.

The audit was conducted in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. These auditing standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance whether the financial report is free from material misstatement.

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

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



# Independent auditor's report

to the Board of Trustees of the State Public Sector Superannuation Scheme (continued)

## *Independence*

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

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

## *Auditor's Opinion*

In my opinion the financial report of the State Public Sector Superannuation Scheme is in accordance with:

- (a) the provisions of the *Superannuation (State Public Sector) Act 1990*; and
- (b) the prescribed accounting standards and other mandatory professional reporting requirements in Australia, including giving a true and fair view of the State Public Sector Superannuation Scheme's net assets and changes in net assets for the year ended 30 June 2009.



**G G Poole** FCPA  
Auditor-General of Queensland  
9 September 2009

Queensland Audit Office  
Brisbane

# Appendix

## Summary report on the actuarial investigation of the State Public Sector Superannuation Scheme as at 30 June 2007

The latest actuarial investigation of the State Public Sector Superannuation Scheme (QSuper) was conducted as at 30 June 2007 by the State Actuary Mr W H Cannon BSc (Hons) FIAA FFin. Whilst the full details can be found in the corresponding report dated 30 June 2008 (the Extended Report), a summary of the main findings of the investigation is given below.

### Financial condition

This investigation has revealed that the fund was in a healthy position with a surplus of assets over accrued liabilities of \$5 billion as at 30 June 2007, an increase of over \$3 billion from the surplus at the 2004 investigation. The main factors causing that increase have been the higher than assumed investment returns between 2004 and 2007 and interest on the previous surplus.

It is important to note however that investment returns since the valuation have been substantially lower than the assumed long-term level, reducing the observed surplus by over \$2 billion. The remaining surplus should be carried forward as a buffer, for the following reasons:

- The main source of this surplus is the relatively high investment returns achieved by the fund over the last several years. To the extent that investment returns in future are less favourable than in the recent past, the retention of this buffer will protect the funding position of the scheme.
- In assessing the magnitude of the surplus position of the scheme, it is informative to consider the value of the liabilities, ignoring the risk premiums included in future investment returns. As shown in Section 6 of the Extended Report, this more prudent view of scheme solvency does not indicate the availability of any excess funds at this time.

In the light of the available surplus the Actuary has considered the funding implications of maintaining the current employer contribution rates (i.e. those listed in Table 1). This investigation has revealed that these contribution rates will not jeopardise the solvency position of the fund and therefore the Actuary has supported their retention.

Table 1 – Recommended employer contribution rates by category

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

The Actuary has certified that the expected liabilities of the scheme should be adequately provided for by the assets of QSuper and the relevant reserve within the Consolidated Fund, together with the funds' investment earnings and member and employer contributions at the recommended level. Taking into account the funding arrangements of the scheme, the statements required under *Superannuation Industry (Supervision) Regulation 9.31* are not applicable.

### Value of assets

The net market value of the fund's assets as at 30 June 2007 was \$22,779 million and the market value of the relevant assets held in the Consolidated Fund was \$21,869 million, resulting in a total market value of \$44,648 million. These asset values were used to determine the recommended contribution rates and proportion of benefits to be paid from the Employer Fund.

### Vested benefits

Vested benefits are the benefits to which members would be entitled if they voluntarily left employment 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 a scheme's ability to provide benefits on a short-term basis. The fund's coverage of vested benefits is therefore an important indicator of its short term financial condition. This relationship is usually expressed as an index defined as the ratio of assets to vested benefits (VBI).

# Appendix

## Summary report on the actuarial investigation of the State Public Sector Superannuation Scheme as at 30 June 2007 (continued)

As at 30 June 2007, the value of the vested benefits was \$41,803 million<sup>1</sup> implying a total scheme VBI of 106.8%. This includes vested benefits in respect of active members (including accumulation members), retained benefits in respect of former members and the value of pensions payable to former members and beneficiaries, and allows for the estimated level of vested contributions tax. In respect of active defined benefit members only, the VBI was 121.5%. Consequently, the assets were more than sufficient to provide for the vested benefits of the scheme.

### Accrued benefits

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

The accrued benefits of QSuper 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 investigation of QSuper.
- The present value of accrued benefits was assessed by applying a long-term discount rate equivalent to an investment return that is 3.0% p.a. in excess of assumed salary inflation, which in turn was assumed to be 4.5% 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 2007 when calculating the expected benefits payable in future years.

The total value of accrued benefits as at 30 June 2007 was \$39,557 million, including an allowance for the estimated level of accrued contributions tax.

The ratio of the value of relevant fund assets to the total discounted value of accrued benefits in respect of active members was 136.8%. This indicates that the assets were more than sufficient to provide for the present value of accrued benefits.

### Key assumptions

#### *Discount rate*

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

#### *Salary growth*

Long term salary growth due to inflation is assumed to be at the rate of 4.5% p.a. This assumption is also relevant for the purposes of valuing pensions that are increased in line with increases in salary (Parliamentary Category).

Salary growth due to promotion is assumed to be in accordance with an age based salary scale.

#### *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 3.0% p.a.

#### *Other assumptions*

The other assumptions included in the actuarial basis can be obtained from Appendix C of the Extended Report.

<sup>1</sup> The value of vested benefits in respect of accumulation accounts, retained benefits in respect of former members, and the value of pensions payable to former members and beneficiaries was \$22,415 million.

