

QANTAS SUPER  
**ANNUAL REPORT**

2012/2013





## Thanks to our Qantas Super member

On our cover is Chris Matkaris, Customer Service Manager International. He's been a Qantas Super member since 2002. We thank Chris for being part of our annual report for 2012/2013, and for also being part of our Gateway campaign – you may have seen him on the cover of the *Gateway Member Guide Product Disclosure Statement* and *Member Guide Supplement*, the *Gateway brochure*, and the Gateway website.

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as trustee for the Qantas  
Superannuation Plan  
ABN 41 272 198 829  
(Qantas Super or Plan)



With the continued volatility of the investment market, we sought ways of giving you greater flexibility.

## REPORT FROM THE Chair and CEO



ANNE WARD Chair



JANE PERRY CEO

2012/2013 has been a year of enormous change in a challenging environment – with continued volatility in the investment markets and the implementation of some of the biggest reforms in the industry since the introduction of compulsory super.

This year, we remained the fund of choice for Qantas Group employees – more than 97% of employees are members of Qantas Super.

At the start of the year, we were delighted to receive a 'Gold' rating for 2013 from SuperRatings, an independent research organisation. A 'Gold' rating means: "A good value for money superannuation fund. Strong in nearly all assessed areas..." SuperRatings described our governance structure and functions as "robust", and they made note of enhancements such as BPAY®, binding death nominations, early release arrangements, voluntary insurance and anti-detriment payments. This was the first time we have participated in SuperRatings research so it's a pleasing result.

### A year of change

Addressing the significant changes in regulation of superannuation over the past 12 months has presented many challenges. As we have developed initiatives in response to the Federal Government's Stronger Super reforms, our aim has been to ensure strong and positive outcomes for you, our members, and to continue to build on our service and product offerings.

We developed our new flagship division, **Qantas Super Gateway**, which incorporates MySuper (part of the Stronger Super reforms), and launched it on 1 July 2013. Gateway is open to eligible new Qantas Group employees, and became available to existing members from 1 October 2013. As a result, we've been able to streamline the Plan, closing off all but four of our accumulation divisions.

In June and July 2013, we held the **Qantas Super Boarding Pass** promotion. This was a tailored mail-out that asked members to simply confirm their super details. More than 7,500 members entered for the chance to win four tickets to a destination of their choice on a Qantas service.

We moved to an **external insurer**, MLC, and as part of that relationship, we are able to bring you Best Doctors, a free and confidential second opinion medical advice service.

With the continued volatility of the investment market, we sought ways of giving you greater flexibility. We introduced **term deposits** for eligible members to provide a guaranteed return for a specific period. As at the end of June 2013, members had invested more than \$14.5 million in term deposits.

One of our key objectives is to give you the knowledge and the tools you need to take control of your own super, and to recognise the role it plays in shaping your life after work. So in May 2013, we rolled out our first **education seminars** on the topic, *Planning the retirement you want*, to a group of members in Brisbane. As a result of this session, we have begun rolling out a comprehensive program of such seminars across our membership.

On the investments front, we delivered **strong returns**, and introduced an **innovative approach** to managing our equities which, during the period, delivered \$17.8 million in net benefits. We also commenced weekly reporting of interim credited interest rates (ICIRs).

We appointed a **new administrator**, Mercer, to provide our administration and call centre services. The change to Mercer will help us to continue to strengthen the services and features we offer to you.

We are in the process of transferring 33,000-plus Qantas Super accounts from our existing administrator to Mercer and ensuring this takes place as accurately and as smoothly as possible.

### Looking forward

The coming year will bring its own challenges and opportunities as we continue to implement the Stronger Super changes.

In addition, we'll be focusing on giving you more **tools, options** and **flexibility**. We'll also help strengthen your superannuation knowledge so you can take **greater control** of your super.

Given the diversity of the Qantas Group workforce (and as such, our membership) we recognise that 'one size definitely does not fit all'. With this in mind, we will focus more on tailoring our services, products and information to cater for each stage of your life. Every member is important to us, and we aim to give you a positive experience every time you interact with us.

Here's some of what you'll see in 2013/2014:

- A financial advice service (through Mercer) that suits the needs of you and your family;
- A mobile website so you can see your super at your fingertips;
- More comprehensive information about your account on the website;
- More member seminars;
- More product enhancements;
- Longer opening hours for the Qantas Super Helpline; and
- The opportunity to switch your investment options weekly.

As part of the Qantas family, we are part of your present and your future.

So, as we move into our 75th year, we are focusing on building our strength and scale, becoming more responsive and proactive, and giving you more options and tools to help you build your future.

Anne Ward  
Chair

Jane Perry  
Chief Executive Officer

# Key achievements in 2012/2013

## HIGHLIGHTS

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- ✓ Delivered strong absolute returns to members
- ✓ Delivered more value to members by changing the way we manage investments
- ✓ Created our new flagship division, Qantas Super Gateway
- ✓ Simplified the Plan by reducing the number of open divisions
- ✓ Achieved a 'Gold' Rating from independent research provider, SuperRatings
- ✓ Named as a finalist in the SuperRatings 'Rising Star' awards
- ✓ Provided increased flexibility through term deposits
- ✓ Appointed a new administrator to manage the day-to-day operations of the fund, including the administration of member accounts
- ✓ Appointed MLC Limited to provide standard insurance benefits for members of divisions 3A, 5, 6, 7 and 10
- ✓ Outsourced the day-to-day management of disability claims to MLC Limited
- ✓ Named as a finalist in the Association of Superannuation Funds of Australia (ASFA) Communications Awards for our new series of Product Disclosure Statements (PDS)
- ✓ Obtained MySuper authorisation from the Australian Prudential Regulation Authority (APRA)
- ✓ Implemented substantial changes to comply with the Federal Government's Stronger Super reforms



## We achieved a 'Gold' rating

SuperRatings, an independent research organisation, reviewed the Plan and its features, and gave us a 'Gold' rating. This means we are a "good value for money superannuation fund" and that we're strong in nearly all assessed areas.

This is the first time we've taken part in this assessment process.

SuperRatings highlighted our governance structure and functions as robust. They did make a series of recommendations to improve services to members, including access to financial advice as well as more education opportunities for members. We've taken those suggestions on board and have included these elements in our business plan.

In October 2013, Qantas Super was named a 'Rising Star' finalist in the SuperRatings awards. This category recognises the fund that has developed the most significant suite of improvements for members in the previous year. While we didn't win, it was a great acknowledgement of the work that's gone into implementing the various changes and initiatives for members in 2012/2013.



## We delivered strong returns

Our investment options delivered strong absolute returns to members during 2012/2013.

The Credited Interest Rate (CIR) for the Growth option (which is our default option) during this period was 13.48%, after deducting tax and expenses.

Over a three year period, the Growth option CIR was 7.84% per annum, and over the five year period, it was 3.89% per annum, which included the significantly negative impact of the Global Financial Crisis.

In addition, our mix of investment managers delivered strong performance above their respective benchmarks. After deducting investment expenses, this excess return was equivalent to 1.44% over 2012/2013, and 0.81% per annum over the three-year period compared with our long-term target of 0.50% per annum.

For each investment option, we have chosen to pursue strategies that are designed to deliver steadier rates of returns to members. Our objective is to capture a significant proportion of the upside in rising financial markets, such as the last 12 months, while also trying to limit the extent of negative returns during more volatile times, as was the case in 2008 and early 2009.

A clear example of this approach to investing is our relatively low exposure to listed equities (45% of the total assets of the Growth option), which can be quite volatile over the short to medium term, in favour of alternative assets (30% of the total assets of the Growth option) such as credit, unlisted infrastructure and unlisted property, which typically deliver less volatile returns through the investment cycle.

During 2012/2013, the Growth option was ranked in the top 25% of Australian superannuation funds when the level of risk taken is compared with the return that was generated. When the level of risk we take is compared to the returns generated, the Growth option performed well relative to other Australian super funds. This result aligns with our investment philosophy of maximising longer term risk adjusted returns (net of taxes and expenses).

## We introduced an innovative approach to managing our listed equities

In August 2012, Qantas Super began the implementation of an innovative and ground-breaking approach to managing the Plan's Australian and Global equities using a centralised portfolio management (CPM) structure. This 'whole of Plan' approach is helping to enhance the implementation of the Plan's investment activities by reducing the costs of investing, as well as offering a more centralised and standardised approach to voting on behalf of members at company shareholder meetings (known as proxy voting).

These implementation efficiency initiatives are resulting in direct and indirect benefits to our members, delivering \$17.8 million in net benefits during the 2013 financial year. This is equivalent to an additional 0.32% in return at the default Growth option level, which is slightly above the 0.25% p.a. expected over the longer term. Our CPM initiative has also assisted in positioning the Plan to meet its Stronger Super obligations which require superannuation funds to focus on after-tax, rather than pre-tax, returns for members.

...our mix of investment managers delivered strong performance above their respective benchmarks.

## ➤ KEY ACHIEVEMENTS IN 2012/2013 (continued)

### We launched Qantas Super Gateway

Our new division, Qantas Super Gateway, went live on 1 July 2013 and became our default superannuation division. This means anyone who joins Qantas Super is now automatically admitted to this division\*.

At launch, Gateway was open to new members only – however, members of existing Qantas Super divisions became eligible to join Gateway from 1 October 2013. Gateway is also open to spouses of members who are employed by the Qantas Group.

Gateway incorporates MySuper, a Federal Government initiative to provide a new simple cost-effective super product. Qantas Super Gateway is designed to offer competitive fees and flexible insurance cover.

Gateway includes two options:

- **Essentials** (members who haven't made an investment choice are placed into **Essentials**); and
- **Choice** (in which members can choose from a selection of investment options, as well as term deposits).

Members can remain in Gateway even after they leave the Qantas Group.

### We simplified the Plan

Our Plan is complex due to the way we've evolved over the past 74 years (such as through business reorganisations and acquisitions), leaving us with 14 divisions (of which 10 were open) plus a number of separate categories within each division.

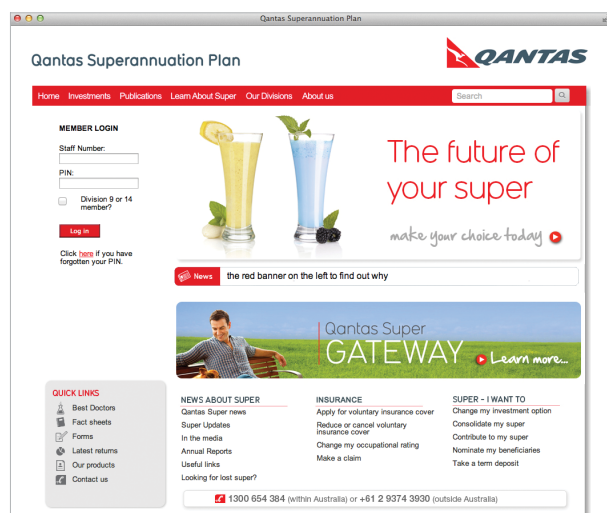
So, with the changes we had to make to Qantas Super as a result of the legislative and regulatory reforms, we took the opportunity to review the Plan to make it as efficient and effective as possible.

With this in mind, we've decided to streamline it by closing the following divisions to new members\*: 3A, 5, 6, 7, 10 and 11. (Our defined benefit divisions 1, 2, 3, 4 and 12, were already closed to new members.)

This means we now have four open divisions:

- Gateway – for all new Qantas Super members\*, those who have elected to move from their current division and spouse members
- Division 8 – for non-Gateway members who leave Qantas employment
- Division 9 – when you retire
- Division 14 – when you begin to transition to retirement.

\* This does not include members who are employed under certain Enterprise Bargaining Agreements which specify a superannuation division in Qantas Super. Where this is the case, those members are admitted to Divisions 7 and 10.



### We gave our website a face lift

We refreshed our website to make it more user friendly and easier to use. The home page now includes quick links to the most commonly requested forms, fact sheets and information. In addition, we're now able to promote key campaigns and activities on the home page so that we can share important information with you quickly.

## We ran the Qantas Super Boarding Pass promotion

In June and July 2013, we ran the Qantas Super Boarding Pass promotion, asking members to confirm super details and offering a prize of four return tickets to a destination of the winner's choice on a Qantas service.

More than 7,500 members entered the promotion – a phenomenal response.

The draw was conducted by an independent agency in August.

The winner was Malcolm James, a pilot from Sydney.

Mal plans to take his wife Ginny, 18-year-old son Matthew and 15-year-old daughter Chloe to the Mediterranean and Europe via the UK.

"My wife is English and we will drop in to see her family and our friends there, on the way. I have been to France and Germany but am looking forward to seeing the sights of the Mediterranean and surrounding countries with my family.

"I have never won anything before apart from a door prize at a quiz night, and I can assure you it wasn't anywhere near as impressive as this prize.

"I have been a Qantas Super member since joining Qantas in 2002, and am very happy with their excellent customer service and the products they provide."



I have been a Qantas Super member since joining Qantas in 2002, and am very happy with their excellent customer service and the products they provide.



Qantas Super Boarding Pass promotion winner, Malcolm James and his family

## KEY ACHIEVEMENTS IN 2012/2013 (continued)

### **We appointed a new insurer**

In preparation for the regulatory changes to superannuation, we reviewed the features and benefits we provide to our members in our accumulation divisions (3A, 5, 6, 7, 8 and 10).

From 1 July 2013, we appointed MLC Limited to provide standard insurance benefits under a group life policy for our members in Divisions 3A, 5, 6, 7, 10 and Gateway. This covers insurance benefits for death, Total and Permanent Disability and temporary disability, where applicable.

This change is in line with Federal Government requirements that super funds must appoint an external insurer to cover the insurance benefits of accumulation members. Up to that date, we had been self-insured, meaning that whenever we paid an insurance benefit to a member, the amount was paid from the Plan's assets. Under the new superannuation regulations, self-insurance will only be allowed in very limited circumstances.

### **We outsourced the management of disability claims**

MLC is now responsible for the day to day management of claims, including assessing, investigating and making recommendations, a process previously managed by the Qantas Super team. This change has been put in place to manage disability claims more efficiently, through a more streamlined process.

We'll regularly monitor the services provided by MLC, including the timely assessment of claims. The Trustee of Qantas Super remains responsible for ensuring claims are processed properly and in a timely manner, and for making all final decisions.

### **We introduced weekly reporting of Interim Credited Interest Rates (ICIRs)**

From 1 October 2012, we began declaring ICIRs on a weekly basis, based on benchmark returns for the asset classes in each investment option for the month to date.

They are used for the period from the last day of the month for which final Credited Interest Rates (CIRs) have not yet been declared until the date the payment or transfer is processed. ICIRs are an estimate of the performance of an investment option. They are used to calculate the total value of a benefit if a member leaves Qantas Super, transfers to another division or requests a benefit quote.

This change has been implemented to further increase the accuracy of our ICIRs and to ensure they're more consistent with our final CIRs. For more information, go to [www.qantassuper.com.au](http://www.qantassuper.com.au) and look for the August 2013 edition of *Super Update*.

### **We introduced term deposits**

"More investment flexibility" has been a common suggestion for how we can improve Qantas Super. So in December 2012, we introduced term deposits as an additional investment option for eligible members\*. This offer is being provided in partnership with National Australia Bank, one of Australia's largest banks.

Generally each quarter, eligible members may invest up to 80% of their available balance at a fixed rate for either six or 12 months. The minimum amount for investment is \$5,000.

We see this as an opportunity for members to lock in an interest rate for a designated period of time, knowing exactly what they will receive once the term deposit matures. In 2012/2013, term deposits were offered in December, March and June.

To find out more about term deposits, visit [www.qantassuper.com.au](http://www.qantassuper.com.au).

\* Eligible members are members of Divisions 5, 6, 7, 8, 10, Gateway, and members of any other division of the Plan who have reached their superannuation date.

### **We appointed a new administrator, Mercer**

In April, we announced the appointment of Mercer Outsourcing (Australia) Pty Ltd as the new administrator of Qantas Super. This means Mercer will provide administration and call centre services to Qantas Super.

This decision to move to Mercer from our existing provider, Russell Employee Benefits Pty Ltd, was based on our assessment of 'best fit' administrator for the current and future needs of the Plan.

The change to Mercer will help us to continue to strengthen the services and features we offer to you, including:

- more comprehensive information about your account on the website;
- longer opening hours for the Qantas Super Helpline;
- a mobile website (currently available to existing members in the Gateway division);
- the opportunity to switch your investment options weekly (proposed for 2014); and
- a financial advice service through Mercer (proposed for 2014).



Mercer has been helping us implement our initiatives under the Stronger Super reforms, including the development and administration of Gateway (from 1 July 2013).

We'll be transferring 33,000-plus member accounts from our existing administrator to the new administrator progressively from mid December. As a result, services to members will be limited between 11 December 2013 until the end of the transfer, which is expected to be early February 2014. This is known as a "limited service period". The limited service period will be temporary and is required to make sure the transition of the accounts takes place as accurately and smoothly as possible.

During the limited service period:

- you may not be able to access certain services and features, or conduct certain transactions, on your superannuation account for a specific period of time (visit [www.qantassuper.com.au](http://www.qantassuper.com.au) or read the December 2013 edition of *Super Update* for details)
- our contact details (used by members of divisions other than Gateway) will change (see Contact us for details)
- all members (except Gateway) will receive a new PIN to log into the new website at the completion of the limited service period.

The new arrangement will enable us to continue strengthening the services that we provide to our members. For more information, visit the website and look under 'In the media'.

## We introduced a second opinion medical advice service

In July 2013, we introduced Best Doctors, a second opinion medical service which gives you, your partner and dependent children access to some of the world's leading specialists.

Best Doctors has been made available to us as part of our insurance partnership with MLC Limited.

This service is free and entirely confidential to you as a Qantas Super member.

You can:

- Confirm a diagnosis or treatment plan through an expert review of your medical records
- Get answers to your medical questions from a world-leading expert
- Get answers to basic medical questions from Australian general practitioners.

One Qantas Super member who sought assistance for her young son with a blood condition said of the experience: "A Best Doctors representative spoke to me about my son's medical history, and then sent this information to a specialist in Paediatric Haematology-Oncology at the University of Minnesota.

"The paediatric specialist sent back a thorough, easy-to-understand report in which he suggested further tests as well as potential treatments depending on the outcome of those tests.

It's given us some peace of mind because we have a better idea of what the tests mean, and what we need to do next. We would definitely use Best Doctors again."

For more information, look for the Best Doctors link on [www.qantassuper.com.au](http://www.qantassuper.com.au).

In July 2013, we introduced Best Doctors, a second opinion medical service which gives you, your partner and dependent children access to some of the world's leading specialists.



## ➤ KEY ACHIEVEMENTS IN 2012/2013 (continued)

### We started rolling out education opportunities for members

In May, we held a trial seminar at the Brisbane Contact Centre on the topic Planning the retirement you want for members aged 50 and over. It was well-received, with positive feedback such as:

"I would like to share my time with my hubby, doing the things we love to do. Grow things...vegetables; have some chooks ...clearly a "tree/sea change" depending where we end up. I want to see Australia up close and personal..."

"...even though I am only 53, I should have given a lot more thought to this than I have, and this has given me a wake-up call to look into all this. The course is great and covers many areas."

The response helped us refine the seminar, which will now be offered to members aged 50-plus in other parts of our business to provide insight into topics such as preparing and making the right choices for your retirement. It also covers how much you will need, growing your super, making your money last longer, managing debt and looking after loved ones.

The seminar gave me certainty that my pathway to retirement is on track.



## Other changes

### We rolled out new look Product Disclosure Statements for some divisions

Our new look product disclosure statement (issued to Divisions 3A, 5, 6, 7, 8, 10 and 11 in June 2012) was named as a **finalist** in the category of 'Best Delivery of Fine Print' at the 2012 Association of Superannuation Funds of Australia (ASFA) Communication Awards. This is the first time we have participated in the ASFA awards.

In December 2012, we updated our Product Disclosure Statements for Divisions 5, 6, 7, 8 and 10 to communicate key changes such as insurance.

#### Changes to fees

There were changes to the administration fees for Divisions 3A, 5, 6 and 7, effective from 1 July 2013. In general, there was an increase in the administration fee which covers the costs of Qantas Super, including the cost of a levy paid by all regulated super funds to the Australian Prudential and Regulation Authority (APRA).

If you're in one of these divisions, you would have received a letter outlining the changes specific to your division. See the website for more information.

There were also changes to the fees and costs for Division 8. These changes were rolled out during October 2013, and included:

- changes to the amount and the method of calculating the administration fee for Division 8;
- the introduction of an exit fee for withdrawals from Division 8. This fee is deducted from the account when a partial withdrawal is paid or on payment of a final withdrawal (excluding, where the amount withdrawn is transferred to another division of Qantas Super).

All administration and exit fees in Division 8 are waived for the first 90 days upon transfer from an existing Qantas Super division. For more information, visit the website.

#### Funding a new risk reserve

Under new superannuation law from 1 July 2013, trustees of registered superannuation funds are required to

establish and maintain adequate financial resources to cover any losses incurred as a result of specific operational risk events. An operational risk event may occur as a result of inadequate or failed internal processes, people and systems, or from external events.

To meet this new requirement, we have established a reserve of invested assets that will be funded over the course of the next three years. To build up the reserve, we will make deductions from the investment returns on the assets of the Plan over the period from 1 July 2013 to 30 June 2016.

This is a new cost to members that will be reflected in the CIR applied to accumulation account balances, and corresponding deductions will be made from the general assets of the Plan that support defined benefits. We estimate that this will result in an increase of 0.084% p.a. in investment management costs that apply until 30 June 2016. Details of the actual investment management costs for each investment option are included in the annual report after final returns for the year have been determined.



Our new look product disclosure statement was named as a finalist in the category of 'Best Delivery of Fine Print' at the 2012 Association of Superannuation Funds of Australia (ASFA) Communication Awards.

# Your Board of Directors

## COMPANY-APPOINTED DIRECTORS



### **ANNE WARD**

Chair

Anne joined the Qantas Super Board in 2004, and was appointed Chair the following year.

She is a professional company director with extensive experience in the financial services sector, spanning banking, insurance, wealth management, superannuation and investments.

She is a Non-Executive Director and Chair of Colonial First State Investments Limited and Avanteos Investments Limited. She is a Board Member of FlexiGroup Ltd.

Anne is currently the Chair of the Centre for Investor Education, a Director of the Foundation for Imaging Research, and a Governor of the Howard Florey Neuroscience Institutes.

In 2013, Anne was appointed to the Zoological Parks and Gardens Board in Victoria and became Chair in April 2013.

Prior to becoming a professional director, Anne was a commercial lawyer for 28 years and was General Counsel for Australia at the National Australia Bank. She holds a Bachelor of Laws and a Bachelor of Arts from the University of Melbourne.

Anne is admitted as a barrister and solicitor in the Supreme Court of Victoria, and is a Fellow of the Australian Institute of Company Directors.



### **GENERAL PETER COSGROVE**

AC MC

Peter was appointed to the Qantas Airways Board and the Qantas Super Board in 2005.

Peter is a Director of Cardno Limited. He is Chancellor of the Australian Catholic University.

He is Chairman of:

- the Defence South Australia Advisory Board;
- the Advisory Council for NSW Centenary of Anzac Commemorations; and
- Leading Age Services Australia.

He is Trustee of the Prince's Charities in Australia, and a member of the Governing Board of the Commonwealth Superannuation Corporation.

Peter served in the Australian Army from 1965 and was the Chief of the Australian Defence Force from July 2002 until his retirement in July 2005.

He was Australian of the Year in 2001.





### **JON SCRIVEN**

Member since 2009

Jon joined Qantas in April 2009 as the Group Executive People and was appointed to the Qantas Super Board later that year.

He is responsible for all aspects of Human Resources across the Qantas Group which includes the Qantas and Jetstar brands.

Jon's focus is on building employee engagement, enhancing customer service and developing strong leadership capability. From April 2011, Jon's responsibilities were extended to include oversight of the Office of the CEO comprising Safety, Security, Environment, Risk, Internal Audit, Company Secretary and Legal.

Prior to joining Qantas, Jon held the role of the Group HR Director at Coca Cola Amatil. Jon was also Partner at Andersen helping to establish their Human Capital Practice, and held various roles in Westpac and PriceWaterhouse. Jon is a Chartered Accountant who studied mathematics at Cambridge University.

Jon is also a Non-Executive Director of the Australian Human Resources Institute Limited.



### **NICOLE GRANTHAM**

Member since 1993

Nicole joined Qantas in 1993 and was appointed to the Qantas Super Board in 2010.

Nicole is the Head of Group Audit and Risk for the Qantas Group, and is responsible for the design and implementation of the risk management framework and providing assurance to the Board Audit Committee on the management of risk, internal compliance, control and governance.

Prior to this, Nicole held a number of roles in Qantas Group Finance, with a particular focus on financial reporting, governance and controls.

Nicole is a Certified Practising Accountant.



### **RUSSELL MACFARLANE**

Member since 2009

Russell joined the Qantas Super Board in 2012.

Russell is the Head of Group Reporting and Financial Control for the Qantas Group, and is responsible for ensuring the group meets all its external financial reporting obligations, including the Annual Report, Interim Report and Sustainability Reporting.

He is also responsible for developing, reviewing and implementing the Group's Finance policies, and evaluating all future financial reporting developments. He acts as the senior accounting technical advisor to the Group.

Prior to joining Qantas in 2009, Russell held senior finance roles in Aviva plc in London and in the PricewaterhouseCoopers audit practice.

Russell is a member of the Institute of Chartered Accountants in Australia.

## ➤ MEMBER-ELECTED DIRECTORS



### **MARK THORPE (GROUP A)**

Member since 1999

Mark was elected to the Qantas Super Board in 2008.

He is a First Officer on the Boeing 747 and has been a pilot with Qantas since 1999.

Prior to becoming a pilot, Mark was an Actuary and worked with Towers Perrin as a superannuation consultant. He has more than 15 years' experience in various roles in the superannuation industry.

Mark holds a Bachelor of Economics, is a Fellow of the Institute of Actuaries of Australia, and is a Fellow of the Australian Institute of Company Directors.



### **CRAIG PAGDEN (GROUP B)**

Member since 1989

Craig was elected to the Qantas Super Board in 2008.

He has been a long haul flight attendant with Qantas Airways for more than 24 years.

Prior to joining the airline, Craig was a detective sergeant with the Australian Federal Police where he specialised in the areas of narcotics, organised crime and major fraud.

Craig is a graduate of the Australian Institute of Company Directors. He holds a Diploma of Financial Services (Financial Planning), Advanced Diploma of Risk Management, and a Diploma of Business Management.



### **JOHN SIPEK (GROUP C)**

Member since 1995

John was elected to the Qantas Super Board in 2004.

He is an Aircraft Maintenance Engineer in Electro-Mechanical Melbourne. John is a senior union delegate with the Aircraft Workers' Union and a Justice of the Peace in Victoria.

John is a Councillor of Moonee Valley City Council, serving as Mayor from 2010 to 2011. He is also a former Victorian Multicultural Commissioner.

Currently he is Director of ISIS Primary Care Pty Ltd, and is a long-time member of the Australian Institute of Company Directors.

He is a member of the Victorian Electrical Line Clearance Consultative Committee, a member of the Committee – Australian Croatian Community Services, and a member of the Jemena Stakeholder Committee.

John holds an Advanced Diploma of Business Management, and is studying for his Masters of Business Administration.



#### **KASH GILLIES (GROUP D)**

Member since 1987

Kash was elected to the Qantas Super Board in 2002.

He is a Senior Leading Aircraft Mechanical Engineer at Sydney Terminal and a B737 series PCT instructor. He is licensed in the Mechanical Category on B737 and B767 (GE and RR) series aircraft.

Kash has been a member of the Investment Committee since October 2003. He maintains his lifelong passion for investing and capital markets by regularly attending seminars and educational forums.

Kash holds a Bachelor of Business (Accounting Major) from Charles Sturt University.



#### **GREG MANNING (GROUP E)**

Member since 2001

Greg was elected to the Qantas Super Board in 2010.

He has more than 20 years' experience in accounting and treasury-related roles, and is currently Deputy Group Treasurer of Qantas Airways.

Greg's financing experience includes structured asset finance, US bond issuance, syndicated bank markets, export credit agency financing and secured commercial debt.

Prior to joining Qantas, Greg worked at Goodman Fielder, UBS Australia and Westpac.

Greg is a Certified Practising Accountant and a Certified Finance and Treasury Professional.

# Corporate governance

The Qantas Super Board is committed to sound corporate governance practices and adhering to relevant regulations set by the Australian Prudential Regulation Authority (APRA). The Board has adopted a charter that incorporates the objectives and key requirements of APRA's Prudential Standard SPS 510, Governance, and APRA's Prudential Practice Guide.

The Qantas Super Board schedules six formal meetings a year, but meets more frequently if required. In 2012/2013 – a year of significant change in the superannuation industry – the Board met 13 times.

The Board's purpose is to:

- Approve the strategic plan and annual business plan;
- Provide strategic guidance to the management of Qantas Super;
- Take ultimate responsibility for the sound and prudent management of the business operations of Qantas Super;
- Select and evaluate the performance of the Chief Executive Officer; and
- Provide oversight of Management.

Directors who are Qantas Group employees are not remunerated by QSL or the Qantas Group for their duties as directors of QSL.

## Trustee committees

In addition, the Board has put in place standing committees (and ad hoc committees for specific matters). These are designed to help the Directors manage the Board's functions and responsibilities. Board members are appointed to various committees depending upon their skills and experience, the need for diversity of views, and backgrounds.

Each committee has at least one Company-appointed Director, and at least one Member-elected Director.

### Investment Committee

Its purpose is to:

- set investment objectives for the investment of the assets including objectives for each investment option;
- formulate and give effect to investment strategies for each investment option that has regard to the whole of the Plan's circumstances and other relevant factors prescribed by the Trust Deed, relevant law and regulatory requirements; and

- monitor the performance of each of the Plan's investment strategies to determine whether the Plan's investment objectives are being or are likely to be met.

Members: Kash Gillies (Chair), Russell Macfarlane, Greg Manning, Jane Perry, Mark Thorpe and Anne Ward.

### Member Services Committee

Its purpose is to:

- Provide advice to the Board on member-related strategies;
- Provide advice to the Board on member services and product, whether this be the appropriateness of, or the enhancement of, such services and products;
- Oversee member communications, both the strategy and implementation;
- Oversee the management of the Plan's administration services to members; and
- Oversee the management of the relevant outsourced service providers.

Members: Peter Cosgrove (Chair), Kash Gillies, Craig Pagden, Jon Scriven and John Sipek.



### Audit & Risk Committee

Its purpose is to oversee and manage the Trustee's:

- Risk Management Framework;
- Financial and tax management frameworks;
- APRA statutory reporting and other financial reporting requirements;
- Professional accounting requirements;
- Internal controls and systems;
- Compliance with all relevant statutory and regulatory obligations and requirements, policies and guidelines as well as internal policies and standards; and
- The appointment of the internal audit function and the external auditor and the internal and external audit process.

**Members:** Nicole Grantham (Chair), Russell Macfarlane, Greg Manning, Craig Pagden and John Sipek.

### Stronger Super Implementation Committee

Its purpose is to:

- Provide guidance to the Board on its strategic response to the Stronger Super reforms;
- Provide guidance to the Board on the design and implementation of all changes required to the Plan's product design, fee structure and governance framework, taking into account regulatory requirements and the impact on the Plan's existing membership;
- Oversee the management of the Stronger Super project by Management and relevant outsourced service providers;
- Oversee implementation of the Stronger Super changes by the Management of Qantas Super; and
- Oversee member communication and education in relation to the Stronger Super reforms and related initiatives.

**Members:** Mark Thorpe (Chair), Paul Jenkins, Jane Perry, Jon Scriven and Anne Ward.

## CORPORATE GOVERNANCE (continued)

### Remuneration Committee

Its purpose is to:

- Provide advice to the Board on the People Management Framework and its effectiveness, taking into account regulatory requirements and ensuring it supports performance and talent management;
- Conduct a regular review of, and make recommendations to the Board, on the Remuneration Policy, including on its compliance with APRA's Prudential Standard SPS 510 and on its effectiveness in ensuring that appropriate behaviour is encouraged;
- Review and make recommendations to the Board on the remuneration of all Responsible Persons (excluding auditors and actuaries) and any other persons who affect the financial soundness of QSL or are identified by APRA;
- Review the remuneration structures for each category of individuals covered by the Remuneration Policy, who are not Responsible Persons; and
- Review and make recommendations to the Board on QSL objectives and KPIs relevant to the remuneration of the CEO, and then on the performance of the CEO in relation to the objectives and KPIs.

**Members:** Greg Manning (Chair from 13 June 2013), Jon Scriven and Anne Ward (Chair until 13 June 2013).

### Insurance Committee

Its purpose is to:

- Provide advice to the Board on the operation of the Plan's insurance program;
- Provide advice to the Board on the Insurance Management Framework and Insurance Strategy taking into account regulatory requirements and the impact on the Plan's existing membership; and
- Oversee the management and implementation of the Insurance Management Framework by relevant outsourced service providers.

**Members:** Russell Macfarlane (Chair), Geoff McRae (external appointee), Jane Perry, Mark Thorpe and Richard Weatherhead (alternate to Geoff McRae).

### Claims Committee

This committee comprised members from the Executive Office and was chaired by the CEO. The purpose of the Claims Committee was to consider each death benefit claim and to review disability claims where required. Its role was to:

- assess and investigate claims lodged in relation to Plan members in accordance with the requirements detailed in the Plan's Trust Deed and the Death & Disability Claims Procedure;
- make a determination in regard to those claims;

- provide a recommendation regarding disputed claims to the Board for its determination; and
- ensure that Board decisions in relation to disputed claims were implemented.

**Members:** Jane Perry (Chair), Dimity MacDonald (Head of Member Services) and Marilyn Loyer (Manager Member Services).

In 2012/2013, 13 meetings were held and attended by the CEO, the Head of Member Services\* and the Manager Member Services. On 1 July 2013, the Claims Committee was dissolved with the establishment of the Insurance Committee.

\* Appointed September 2012

### Qantas Super Executive Office

The Executive Office, led by the Chief Executive Officer, is responsible for the management of Qantas Super.

This involves:

- overseeing the administration and operations of the fund;
- planning, developing and implementing strategy;
- developing products;
- ensuring we comply with legislative and regulatory requirements; and
- communicating with members.

The following table sets out the Directors' attendance at Board and Committee meetings held in 2012/2013.

## DIRECTORS' MEETINGS

	Board (scheduled)	Board (unscheduled)	Audit & Risk	Insurance <sup>1</sup>	Investment	Member Services	Remuneration	Stronger Super
<b>Number of meetings held</b>	<b>6</b>	<b>7</b> <small>Includes three Circulating Resolutions<sup>2</sup></small>	<b>6</b>	<b>2</b>	<b>8</b>	<b>5</b>	<b>2</b>	<b>12</b>
Peter Cosgrove	6	7	-	-	-	5	-	-
Kash Gillies	6	7	-	-	8	5	-	-
Nicole Grantham	6	7	6	-	-	-	-	-
Russell Macfarlane	6	7	6	2	8	-	-	-
Greg Manning <sup>3</sup>	6	7	6	-	7	-	2	-
Craig Pagden	6	6	6	-	-	5	-	-
Jon Scriven	5	7	-	-	-	5	2	10
John Sipek	6	7	6	-	-	5	-	-
Mark Thorpe	6	6	-	2	8	-	-	12
Anne Ward	6	7	-	-	7	-	2	12


### Notes:

<sup>1</sup> The Insurance Committee was established on 13 February 2013. Russell Macfarlane (Chairman), Mark Thorpe, Jane Perry and Geoff McRae (with Richard Weatherhead as his alternate) were appointed to the Committee on that day.

<sup>2</sup> Circulating resolutions: The directors of a company may pass a resolution without a directors' meeting being held if all the directors entitled to vote on the resolution sign a document containing a statement that they are in favour of the resolution set out in the document.

<sup>3</sup> Greg Manning was appointed Chairman of the Remuneration Committee on 13 June 2013.

# Senior Executive Team

 The Qantas Super Executive Office consists of specialists across Investments, Operations, Legal, Risk and Compliance, Member Services and Finance.



## JANE PERRY

Chief Executive Officer

**Role:** Responsibility for the overall management of Qantas Super.

**Appointed:** 2012.

**Experience:** 30 years of business management experience in leadership positions in financial services and education.

**Previous roles:** J.P. Morgan. AXA. KPMG Management Consulting. NSW Department of Education.

**Education:** Bachelor of Arts. Bachelor of Science. Diploma of Education.

**Other:** Director of the Association of Superannuation Funds Australia (ASFA) Board. Member of the Salvation Army Advisory Board. Member of the Australian Brandenburg Orchestra Board. Inducted into YWCA's Academy of Women Leaders (New York).

**Previous Board positions:** National Mutual Superannuation Pty Ltd. National Mutual Staff Superannuation Plan. J.P. Morgan Nominees Australia Limited. Trustee of the Victorian Arts Centre.



## ANDREW SPENCE

Chief Investment Officer

**Role:** Responsibility for investment governance, objectives, strategy, and risk, portfolio construction, manager selection, liquidity management, and investment expense management.

**Appointed:** 2008.

**Experience:** 28 years in all aspects of professional money management with leadership roles in investment management and investment consulting.

**Previous roles:** Towers Watson. Credit Suisse Asset Management.

**Education:** Bachelor of Science (Honours) in Accounting and Finance.

**Other:** Member of The University of Sydney Investment & Commercialisation Committee. Member of the Economics and Investment Policy Council for the Association of Superannuation Funds of Australia (ASFA).



## HUGH LOUGHREY

Head of Legal, Risk & Compliance

**Role:** Responsibility for the provision of legal, risk management and compliance services to Qantas Super.

**Appointed:** 2011.

**Experience:** 20 years+ wealth management experience in Australia and overseas in a range of senior legal and risk management roles.

**Previous roles:** BT Financial Group. William M Mercer.

**Education:** Bachelor of Civil Law.

**Other:** Admitted to practice law in New South Wales, England and Wales, and Ireland. Member of the New South Wales Law Society Corporate Lawyers Committee.





#### **DIMITY MACDONALD**

Head of Member Services

**Role:** Responsibility for all aspects of the member experience.

**Appointed:** 2012.

**Experience:** 20 years+ experience in communications, marketing and change management with senior roles in superannuation, insurance and banking.

**Previous roles:** J.P. Morgan. AXA. IAG. Qantas Airways Ltd. Caltex Australia.

**Education:** Bachelor of English Literature (Honours).



#### **PETER SAVAGE**

Head of Operations

**Role:** Responsibility for all operational aspects of Qantas Super including Member and Investment Operations, involving managing the Superannuation and Investment Operations teams.

**Appointed:** 2009.

**Experience:** 14 years+ in financial services.

**Previous roles:** J.P. Morgan. Chase Manhattan Bank. Mercantile Mutual.

**Education:** Bachelor of Business degree. Completing a Masters of Business Administration.



#### **ANDY MOSER**

Finance Manager

**Role:** Responsibility for all financial matters of Qantas Super and Qantas Superannuation Limited (the Trustee), involving finance, management accounting, expense budgeting, external audit management, and management of tax matters.

**Appointed:** 2013.

**Experience:** Five years+ experience in financial services, with particular focus on internal and external audit service roles.

**Previous roles:** KPMG Sydney. RSM Bird Cameron. Austrian Consulate General (Sydney).

**Education:** Masters of Professional Accounting. Masters of Business Administration. Member Institute of Chartered Accountants Australia.

**Other:** Member of the Golden Key International Honour Society (recognising students in the top 15% of university students).



#### **MONICA HARTAN**

Programme Manager

**Role:** Responsibility for managing the various programme initiatives of Qantas Super including Board reporting and project management.

**Appointed:** 2013.

**Experience:** 20 years+ experience in chartered accountancy and business.

**Previous roles:** National Australia Bank. MLC/NAB Wealth. Caltex Australia. KPMG Sydney.

**Education:** Bachelor of Economics/Diploma Financial Management. Member Institute of Chartered Accountants Australia. Advanced Diploma in Financial Planning.

**Other:** Women in Super scholarship recipient.

# Key facts in 2012/2013

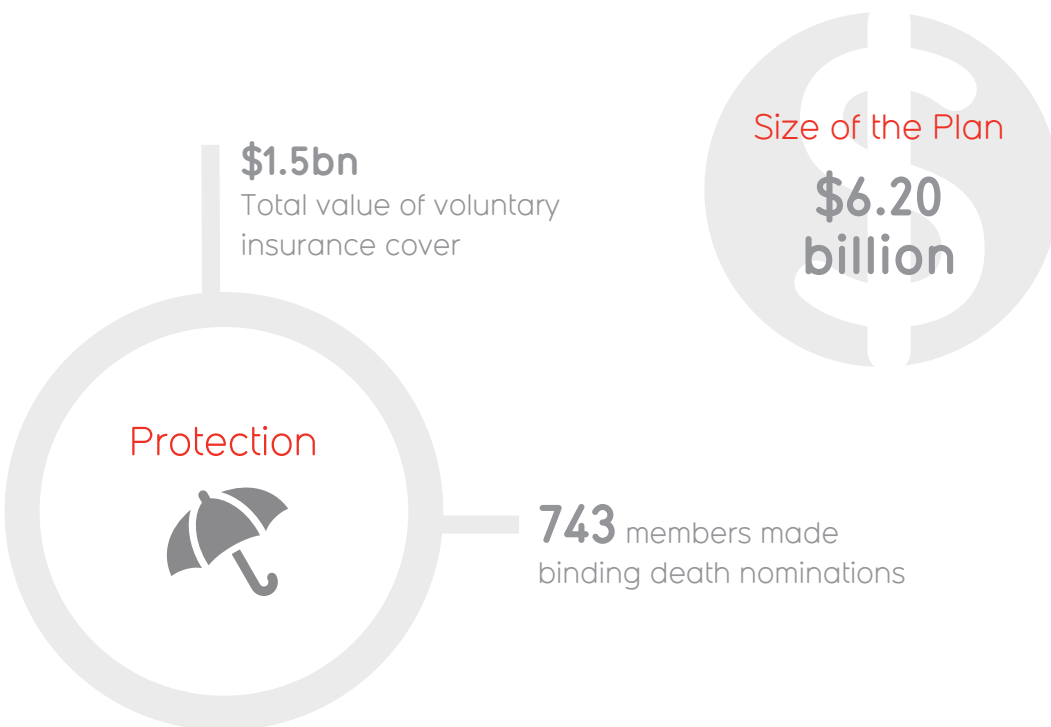
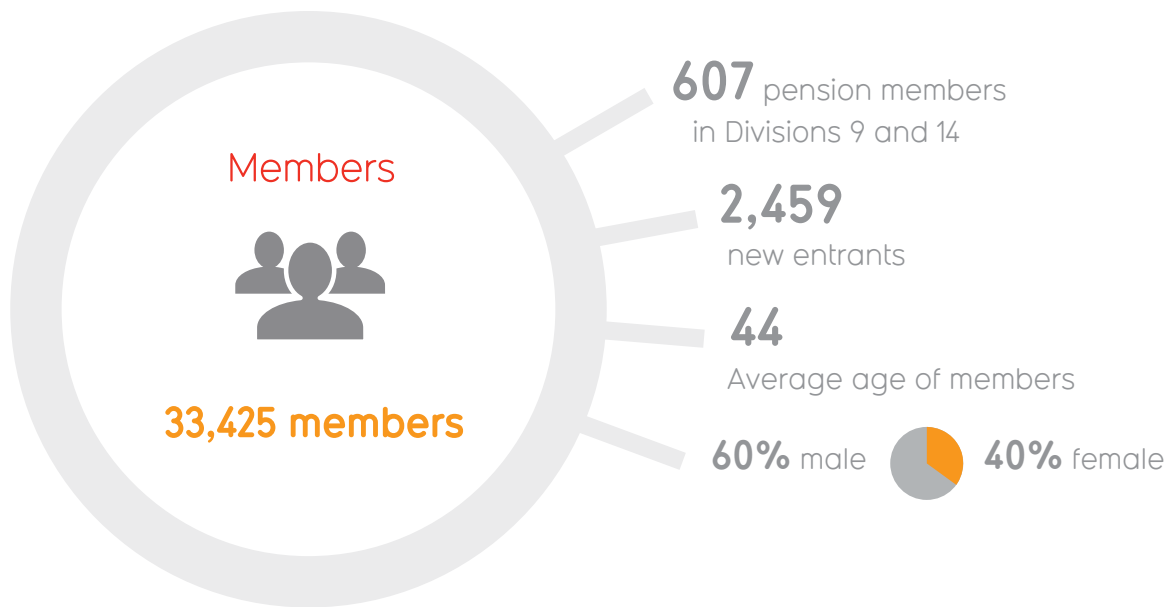
as at 30 June 2013



## Top member enquiries

"I want to know more about..."

1. Contributions
2. Payments
3. Qantas Super (general information)



# The changing nature of the super landscape

A number of changes to super were announced throughout the 2012/2013 financial year. Some of these changes have become law and have now taken effect, or are scheduled to take effect. More recently, the newly elected Federal Government announced the outstanding changes it intends to introduce, and outlined other changes it proposes to make to existing superannuation rules.

## **Increase to Superannuation Guarantee contributions**

On 1 July 2013, the Superannuation Guarantee (SG) contribution rate required to be paid by employers increased from 9% to 9.25% of Ordinary Time Earnings and the SG requirements were extended to also apply to employees over age 70.

The SG rate was scheduled to increase to 9.5% from 1 July 2014, with further increases to 12% by 2019.

In November 2013, the Federal Government announced that it will freeze the gradual increases in the SG rate for two years. Under this proposal, the SG rate would remain at 9.25% until June 2016, and then increase by 0.5% each year until it reaches 12% in 2021.

## **Higher concessional contributions cap**

A higher concessional contributions cap (limit) of \$35,000 is now in place for the 2013/2014 financial year for individuals aged 59 or over as at 30 June 2013. For the 2014/2015 and subsequent financial years, this higher limit will extend to individuals aged 49 or over as at the last day of the previous financial year. Concessional contributions are before-tax contributions and include employer and salary sacrifice contributions.

The temporary higher limit is not indexed and will cease when the 'general' concessional contributions cap reaches \$35,000. The general cap is currently \$25,000 per year. Indexation of this amount is expected to resume from 1 July 2014.

The earlier proposal by the former Federal Government for an annual \$50,000 concessional contributions cap for people aged 50 or over with a balance of less than \$500,000 is **not** proceeding.

## **New tax treatment of excess concessional contributions**

Excess concessional contributions (ie concessional contributions above the cap) made from 1 July 2013 are no longer subject to the excess contribution tax inside super (previously 31.5%). Instead, any excess contributions must be included in an individual's assessable income for the financial year in which the contributions were made and will be taxed at the individual's marginal tax rate. A new interest charge also applies. A 15% non-refundable tax offset will be provided to offset the contributions tax already paid inside super.

The following table shows the current caps and how the increased limits may apply in the coming financial years.

### **CONCESSIONAL CONTRIBUTIONS CAPS**

Concessional contributions cap	Limit per financial year		
	2012/2013	2013/2014	2014/2015
General limit	\$25,000	\$25,000	\$30,000 <sup>1</sup>
People aged 49 to 59 <sup>2</sup>	\$25,000	\$25,000	\$35,000
People aged 59 or over <sup>2</sup>	\$25,000	\$35,000	\$35,000

#### **Notes:**

<sup>1</sup> Anticipated cap if indexation of the current amount recommences from 1 July 2014.

<sup>2</sup> Ages are based on your age as at the end of each financial year.

The non-concessional contributions cap (for after-tax contributions) will remain as a multiple of six times the general concessional contributions cap.



Individuals may elect to have up to 85% of the amount of their excess contributions released from their super. The remaining 15% relates to the contributions tax paid by the super fund. Excess concessional contributions continue to count towards an individual's non-concessional contributions cap, however the amount that counts towards the cap can be reduced if an election to release an amount of excess concessional contributions is made.

#### **Low income superannuation contribution scheme**

The Federal Government's Low Income Superannuation Contribution scheme commenced on 1 July 2012. Under this scheme individuals with an annual income of up to \$37,000 are generally automatically entitled to receive a Government contribution of 15% of their SG contributions, up to a maximum of \$500. This means these individuals effectively pay no contributions tax on SG contributions made by their employer. For this purpose, 'income' includes taxable income, salary sacrifice contributions, reportable fringe benefits and some other items.

The first Federal Government contributions under this scheme are expected to be paid in early 2014 for the 2012/2013 financial year.

The new Federal Government has announced its intention to cancel this scheme, with effect from 1 July 2013.

#### **Additional contributions tax for high income earners**

The Federal Government's additional contributions tax of 15% on some or all concessional contributions for individuals with an income of \$300,000 or more has become law.

The tax applies retrospectively to contributions made from 1 July 2012. This tax will be charged at 15% of an individual's taxable concessional contributions above the \$300,000 threshold (which is capped for 2012/2013 at \$25,000). For individuals who are members of a defined benefit fund, this tax may be calculated on notional contributions which are not capped.

#### **Minimum pension drawdowns back to normal**

The Federal Government prescribed rates used to calculate the minimum annual income payment amount for income stream (pension) accounts within super returned to normal levels on 1 July 2013. These rates were previously reduced for a period of four years in response to the prolonged investment market downturn.

The minimum income payment rates applying from 1 July 2013 are shown in the following table:

#### **MINIMUM PAYMENT RATES FROM 1 JULY 2013**

Age*	Minimum % of account balance <sup>^</sup>
Under 65	4
65 – 74	5
75 – 79	6
80 – 84	7
85 – 89	9
90 – 94	11
95+	14

\* Age is your age as at the start of the financial year, or when you start an income stream account in the case of the first year.

<sup>^</sup> Account balance is at the end of the previous financial year. In the year in which your income stream account commences, the minimum payment is based on the number of days remaining in the financial year. No minimum payment is required in any year if your account commences after 31 May in that financial year.

If you have a Qantas Super Transition to Retirement account or Flexible Income account, your minimum payment amount for 2013/2014 will be calculated using the relevant draw down factor from 1 July 2013. You may wish to speak to your licensed financial adviser about how this change may affect your income payments and whether any adjustment is required.

## ➤ THE CHANGING NATURE OF THE SUPER LANDSCAPE (continued)

### **Tax on investment earnings over \$100,000 on income streams – not proceeding**

Currently, all earnings on income stream (pension) accounts within super are tax free. In April 2013, the former Federal Government proposed to cap the tax-free amount of earnings on income stream accounts at \$100,000 per year for each individual, with earnings above \$100,000 taxed at 15%.

The new Federal Government has announced that it is not proceeding with this proposal.

### **Removal of member protection**

From 1 July 2013, the Federal Government permitted funds to remove mandatory member protection rules for small balances in super.

Previously under member protection, if, at any time during a financial year, the value of a member's account was less than \$1,000 and included (or at one time included) Superannuation Guarantee or award contributions by the member's employer, the fees and charges applied to that member's benefit would not have exceeded the interest credited to the member's account. This protection has now been removed.

### **New requirements for handling complaints**

Under Stronger Super changes, additional requirements apply to the handling of complaints received by the trustee of a super fund.

In general, if a decision about a complaint is made, the trustee must, within 30 days of the decision being made, include in its response the date the decision was made, and information about the appropriate external dispute resolution system and how it can be accessed.

If the complaint relates to the payment of a death benefit, the trustee must also provide written reasons for its decision.

If the complaint relates to a matter other than a death benefit, the trustee must give the member the opportunity to request written reasons for the trustee's decision.

If the trustee has not made a decision about the complaint, the trustee must within 45 days of the date of the complaint, let the member know that they can request reasons for the trustee's failure to make a decision if a decision has still not been made after 90 days from the date of the complaint.

If a member subsequently makes a request for written reasons for a trustee's decision, or failure to make a decision, the trustee must provide those reasons in writing within 28 days of the request, unless an extension of time is given by the regulator.

### **New time limits for lodging TPD claim complaints**

New time limits apply for a member to lodge a complaint with the Superannuation Complaints Tribunal (SCT) about a decision made by the trustee of a super fund on or after 1 July 2013 regarding the payment of a Total and Permanent Disability (TPD) benefit.

Members who have permanently ceased employment as a result of disability and who have made a disability benefit claim within two years of ceasing employment, have four years from the date of the trustee's decision to make a complaint to the SCT.

Members who have not permanently ceased employment can make a complaint within six years of the trustee's decision about their claim.

Previous time limits for lodging complaints with the SCT apply for trustee decisions made before 1 July 2013.

### **Increase in lost super thresholds**

On 31 December 2012, the account balance threshold for 'lost super' to be transferred to the ATO increased from \$200 to \$2,000. The former Federal Government proposed further increases to \$4,000 from 31 December 2015 and to \$6,000 from 31 December 2016. The new Federal Government has announced that it intends to proceed with this proposal.

Accounts transferred to the ATO earn interest equal to increases in the Consumer Price Index (CPI).

### **Trans-Tasman portability of benefits**

From 1 July 2013, individuals who permanently move from Australia to New Zealand are able to transfer their super benefit from their Australian fund to a New Zealand KiwiSaver product, subject to the conditions and restrictions imposed by legislation.

Likewise the legislation provides for individuals who permanently move to Australia from New Zealand to transfer their entitlement in a KiwiSaver product to an Australian super fund. Trustees of Australian super funds have the discretion to decide whether or not to accept transfers from KiwiSaver accounts.

### **Increase in the Medicare levy**

The Medicare levy is scheduled to increase by 0.5% to 2% on 1 July 2014, to help fund the Federal Government's proposed National Disability Insurance Scheme.

The higher levy will be payable on taxable benefits paid from super funds from that date and on any excess contributions.

A number of changes to super were announced throughout the 2012/2013 financial year.

# Investments

## Our investment philosophy, objectives and strategy

Our guiding principles for our assets (including any reserves) are:

- To invest assets in a manner that is consistent with the Trust Deed and law;
- To prudently manage risk, including adequate diversification and appropriate levels of liquidity; and
- To ensure that any delegated investment decisions are appropriately made, with accountability back to the Trustee.

Every year, we review our strategic investment objectives. We also review our investments on an ongoing basis to make sure they remain appropriate and contribute to the specific investment objectives.

As part of the annual review of our strategic investment objectives, the Trustee

introduced an Investment Mission for the management of the Plan's assets:

**To invest to maximise long-term risk-adjusted returns, net of taxes and expenses.**

As expressed in the Trustee's mission, investment returns net of taxes and expenses is a key investment belief. The Trustee believes that implementation efficiencies can deliver members meaningful benefits, by ensuring that all costs and taxes associated in making and implementing our investments are done as cost efficiently as possible. Over the year, our implementation efficiencies have delivered \$17.8 million in net benefits to members, equivalent to 32 basis points at the Growth option level.

Implementation efficiencies have delivered savings of about \$17.8 million to members.

## ASSET ALLOCATION

	30 June 2013 (\$ million)	30 June 2012 (\$ million)	Change (\$ million)
<b>Return seeking assets</b>			
Australian Equities	1,176.21	1,082.73	+93.48
Global Equities	1,440.47	1,269.15	+171.32
Private Equity	233.22	149.25	+83.97
<b>Return seeking alternatives</b>			
Credit	97.57	120.42	-22.85
Diversity	414.16	336.15	+78.01
Infrastructure	221.29	157.73	+63.56
Property	316.08	319.15	-3.07
<b>Total Return Seeking Alternatives</b>	<b>1,049.10</b>	<b>933.45</b>	<b>+115.65</b>
<b>Risk controlling assets</b>			
<b>Risk Diversifying Alternatives</b>			
Credit	507.49	413.46	+94.03
Diversity	124.86	10.42	+114.44
<b>Total Risk Diversifying Alternatives</b>	<b>632.35</b>	<b>423.88</b>	<b>+208.47</b>
<b>Fixed interest</b>	<b>1,013.88</b>	<b>1,014.15</b>	<b>-0.27</b>
<b>Cash</b>	<b>693.79</b>	<b>826.87</b>	<b>-133.08</b>
<b>Total Plan assets</b>	<b>6,239.02</b>	<b>5,699.49</b>	<b>+539.53</b>

**Please note:** The basis for valuation for actual asset allocation is Gross Market Value. The basis for valuation for total managed investment portfolios and the audited abridged financial statements (page 41) is Net Market Value.

You can see the asset allocation for each Member Investment Choice Option (as at 30 June 2013) by visiting [www.qantassuper.com.au](http://www.qantassuper.com.au)

## About the investment options

The investment options are invested in different asset classes, which are generally divided into two types: Return seeking assets and Risk controlling assets.

### Return Seeking Assets

Are aimed at growth investments expected to deliver higher returns over time, but whose return may be more variable from year to year. Return seeking assets include Australian and international shares and private equity.

- **Equities or shares** – Shares or equities represent a share of the ownership of companies. Their return is derived from dividends paid to shareholders from company profits, and from changes to the share price.
- **Return Seeking Alternatives** – There are a range of other return seeking assets used by the Plan, including unlisted infrastructure, hedge funds, unlisted property and credit (return seeking). These are specialist asset classes. Their returns are derived from a combination of dividends, distributions and interest, plus changes in the capital values.

### Risk Controlling Assets

Are those which are expected to provide lower and more stable investment returns, and diversification benefits when combined with return seeking assets.

- **Risk Diversifying Alternatives** – These may include credit (lower risk) and diversified hedge funds.

- **Fixed Interest** – Fixed interest investments or bonds are issued by public organisations and companies. Each bond will normally have a fixed rate (and dates) of interest payment and the original capital is repaid at the end of the bond term. Because bonds can be traded, their market value will vary throughout the term of the bond. Bonds are available in Australia and overseas.
- **Cash** – Some cash investments may be placed with financial institutions, who pay interest on these amounts. Cash investments are generally 'on-call' which means they can be accessed at any time.

Each of the investment options has its assets invested in these asset classes in different proportions. Refer to the 'Your investment options in detail' section in your division's Member Guide Supplement (where available) for more information.

## Investment limits

We manage investment risk in a number of ways.

- Investment management is outsourced to external investment managers. This extends to the use of derivatives. We do not directly use derivatives. Although investment managers are permitted to use futures, options, swaps and other derivative instruments, they are not permitted to use derivatives to gear the Plan.

- To limit concentration risk to an external investment manager and to be consistent with our diversification belief, we ensure that no more than 20% of our assets by value are invested with any single investment manager. Our centralised portfolio manager, Parametric, manages approximately 90% of the Plan's investments in Australian and Global Equities. However, the centralised portfolio that Parametric manages is based on the model portfolios of nine of our underlying investment managers. The Trustee is satisfied that the concentration of assets within the Parametric structure is appropriately diversified.
- To ensure member assets are diversified, we ensure that no one single asset represents more than 5% of the Plan.

Additionally, as at 30 June 2013:

- Four investment managers individually managed more than 5% of the Plan's assets as at 30 June 2013. In each case we have ensured that the protection of member interests and adherence to our investment beliefs were maintained, and
- We had approximately \$10.8 million (at market value) invested in Qantas Airways Limited (QAL) via the investments selected and managed by our investment managers. These investment decisions are made independently from Qantas Superannuation Limited.

## ➤ INVESTMENTS (continued)

### Our investment managers

We monitor the appropriateness of our investment managers in relation to our objectives and strategies on an ongoing basis.

Investment managers as at 30 June 2013	Market
<b>Australian Equities</b>	
Allan Gray Australia Pty Ltd (formerly Orbis Investment Management)	Australian
Ellerston Capital Limited*	Australian
Independent Asset Management Pty Limited*	Australian
Merion Capital Partners Pty Limited*	Australian
Parametric Portfolio Associates LLC <sup>1</sup>	Global
<b>Global Equities</b>	
Altrinsic Global Advisors LLC*	Global
Black Creek Investment Management Inc*	Global
Investec Professional Investment Funds PCC Limited	Emerging and Frontier
Lazard Asset Management Pacific Co*	Global
Parametric Portfolio Associates LLC <sup>1</sup>	Global
QS Investors LLC*	Global
Realindex Investments Pty Ltd*	Global
Southeastern Asset Management Inc*	Global
<b>Private Equity</b>	
Macquarie Investment Management Limited (including QPET)	Global
<b>Return Seeking Alternatives (Credit)</b>	
K2 / D&S Management Company LLC	Global Alternatives
Oak Hill Advisors LP	Global Opportunistic Credit
Sankaty Advisors LLC	Global Distressed Credit



Investment managers as at 30 June 2013	Market
<b>Return Seeking Alternatives (Diversity)</b>	
K2 / D&S Management Company LLC	Global Alternatives
<b>Return Seeking Alternatives (Infrastructure)</b>	
Equis Funds Group Pte Ltd (QAIF Limited)	Global (Asian)
Palisade Investment Partners Ltd (Q Infrastructure Trust)	Australian
<b>Return Seeking Alternatives (Property)</b>	
Arcadia Funds Management Pty Ltd*	Property
<b>Risk Diversifying Alternatives (Credit)</b>	
Macquarie Investment Management Limited (including QPET)	Australian Credit
Sankaty Advisors LLC	Global Credit
Westbourne Credit Management Limited (Q Infrastructure Yield Trust)	Global Infrastructure Debt
<b>Risk Diversifying Alternatives (Diversity)</b>	
SouthPeak Investment Management Pty Limited	Global
<b>Fixed Interest</b>	
Ardea Investment Management Pty Limited	Australian
BT Investment Management (RE) Limited	Australian
H20 Asset Management LLP	Global
Queensland Investment Corporation Limited	Australian
<b>Cash</b>	
Russell Investment Management Limited	Australian
<b>Overlay</b>	
Russell Investment Management Limited	Whole of Plan

\* Investment advisers only

<sup>1</sup> During the financial year, the Trustee appointed Parametric Portfolio Associates LLC ("Parametric") as the Plan's Centralised Portfolio Manager for Australian Equities and Global Equities. Parametric has centralised the management of the Plan's Australian equities based on model portfolios (marked with an asterisk above) provided by the Plan's Australian Equities managers including Ellerston Capital Limited, Independent Asset Management Pty Limited and Merlon Capital Partners Pty Limited. In addition, Parametric has centralised the management of the Plan's Global Equities based on model portfolios (marked with an asterisk above) provided by the Plan's Global Equities managers including Altrinsic Global Advisors LLC, Black Creek Investment Management Inc, Lazard Asset Management Pacific Co, QS Investors LLC, Realindex Investments Pty Limited, and Southeastern Asset Management, Inc.

## INVESTMENTS (continued)

### Investment round-up

#### Background

After a few tough years, investment returns over the 2012/2013 financial year have been impressive, with our default option (Growth) posting double-digit returns for members.

Superannuation is a long-term investment for most people. The most important decision you need to make is the level of risk appropriate for your superannuation investment strategy. For example, the Plan's default investment option (the Growth Option) has around 70% in return seeking assets like Australian and global shares, as well as unlisted infrastructure and property. These types of investments deliver higher returns over time but also come with a higher risk of negative returns. The remaining 30% is invested in risk controlling assets like fixed interest and cash, which provide lower risk and lower returns. If you're invested in the Growth option, we anticipate it may achieve a median 10-year return of around 8.2% per annum, with a probability of a negative return in no more than four years in every 20.

#### How we performed

We delivered a return of 13.48%, after fees and taxes, to members invested in our default Growth option for the year to 30 June 2013.

The 2013 financial year was a strong year for most asset class returns, with all asset classes providing positive absolute returns. Our Balanced and higher growth options (Growth and Aggressive) all provided strong double digit returns, predominantly driven by strong equity market returns. Despite generating positive returns, our defensive investment options (Conservative and Cash) provided single digit returns. The Reserve Bank of Australia (RBA) cut interest rates three times during the 2012/2013 year, with the cash rate ending 2.75% at year end.

The falling interest rate reduced the return available for members invested in the Cash option, where the one-year return was 2.89%. The Conservative Option provided a relatively healthy return of 7.53% over the year. While annual returns are important, our focus remains on delivering strong, long term returns for you over your working life and into retirement.

When comparing the difference in member returns over three years (7.84% per year for the Growth option) and five years (just 3.38% per year for the Growth option) the impact of the global financial crisis remains clear.

In addition to seeking robust long-term returns, risk management plays a critical role in defining the investment strategy of each of the Plan's investment options. If you aren't familiar with the risk and return objectives of your investment options, go to pages 34-36.

#### In detail

Listed equities provided very strong returns over the year – Australian Equities returned more than 20%, while Global Equities and Emerging Market equities returned more than 26% and 20% respectively. These headline numbers largely masked the continuing tensions that remain within global markets. Central banks around the world have continued to expand their quantitative easing (QE) programs which had the effect of pushing risky assets higher given the availability of easy capital. The European debt situation continued to linger in the background.

While holding strong for the majority of the 2012/2013 year, the Australian dollar depreciated from USD\$1.05 in mid-April 2013 to just below USD\$0.92 at the end of June. At the same time, global government bond yields rose in response to the US Federal Reserve's changed language regarding tapering QE. Geo-politics also played a significant part in market moves over the period as central banks aimed to drive their currencies down to help enhance the competitiveness of their export sectors. By far the largest statement was made by Japan whose new Prime Minister Abe announced radical new measures to drive down the Japanese Yen in order to stimulate an economy out of deflation.

Rising bond yields in the latter half of the year materially reduced the return from fixed interest. Our investments in Fixed Interest provided a return of 5.26% over the year, which is a good result compared to market benchmarks. Australian inflation-linked bonds, for example, declined by 1.45% over the year.

Domestically the economic picture has worsened over the last year as the transition towards a more balanced economy has been pressured by lower commodity prices, which has materially impacted the Australian

terms of trade. This fall has put pressure on an already weak non-mining economy which is, against the RBA's hopes, failing to replace the mining sector as the engine of growth in the economy.

#### **What does the coming year hold?**

Looking forward, the outlook for economic growth in China will be a key factor in the performance of financial markets. With China appearing to slow, one of the major drivers of world growth has been removed and this has resulted in the IMF continuing to revise down their world growth forecasts. A weaker China will also impact on the Australian economy as the growth picture will disappoint Federal and State government fiscal numbers, and fiscal tightening may be required which may further exacerbate a domestic slowdown.

The RBA has responded to these factors by taking interest rates to all-times lows but the slowing impetus remains and the market is priced for a further cut(s) over the coming year. With low cash rates and the potential for rising bond yields, we are cognisant that our ability to meet return objectives for members of the Conservative option may be challenging over the medium term given it holds 65% in fixed interest and cash.

## ➤ INVESTMENTS (continued)

### How your super is invested

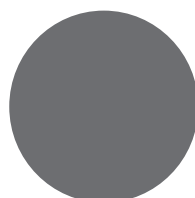
In 2012/2013, most members of the Plan were eligible for Member Investment Choice (MIC) which allows you to select your preferred investment strategy for your accumulation account balances. The default option is the Growth option. Switches between MIC Options are available on a monthly basis.

MIC is not available to members in Divisions 1\*, 4 or 12, as well as members in Division 2\*\* with defined benefit guarantees resulting from prior membership of Australian Airlines plans.

\* Members of Division 1: You can exercise Member Investment Choice (MIC) from the date you reach your normal Retirement Date for superannuation purposes. For further information, please contact us.

\*\* Members of Division 2 with defined benefit guarantees: You may be eligible for MIC if you forgo your defined benefit guarantees.

#### Cash option



#### Target asset allocation<sup>^</sup> 100% Risk controlling assets

■ 100% Cash

#### Overview

For investors who want exposure to cash and short-term money market returns. The risk of negative returns is very low. The returns are stable but usually low.

#### Investment objective

By investing in cash and the short-term money market, the **Cash option** provides access to stable, but usually low, returns.

The investment option aims to:

- achieve a return equal to the UBSA Bank Bill Index, after tax and investment expenses, over a rolling one year period; and
- never achieve a negative annual return.

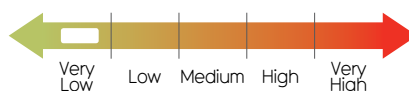
#### Minimum suggested time to invest

No minimum time applicable.

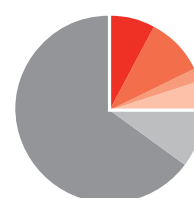
#### Risk level

The investments have a very low degree of risk.

The estimated number of negative annual returns (net of tax) over any 20 year period is 0 years.



#### Conservative option



#### Target asset allocation<sup>^</sup> 25% Return seeking assets

■ 8% Australian shares  
■ 10% International shares  
■ 2% Private equity  
■ 5% Return seeking alternatives

#### 75% Risk controlling assets

■ 10% Risk diversifying alternatives  
■ 65% Fixed interest and Cash

#### Overview

For investors who want stable, modest returns, with a relatively low to medium likelihood of negative returns.

#### Investment objective

A large proportion of the **Conservative option** is invested in risk controlling assets, resulting in stable, modest returns, with a relatively low likelihood of negative returns. The small allocation to return seeking assets provides some growth opportunities. The investment option aims to:

- achieve a return that exceeds CPI by at least 3% p.a. over a three year period, after tax and investment fees;
- outperform the notional return on the benchmark portfolio; and
- limit the likelihood of a negative annual return to one in 20 years (or 5%).

#### Minimum suggested time to invest

3 years.

#### Risk level

The investments have a low to medium degree of risk.

The estimated number of negative annual returns (net of tax) over any 20 year period is 1.2 years.



<sup>^</sup> The target asset allocation is an indication of the proportion of the investment option assets that are allocated to each asset class. The actual asset allocation to each of the asset classes may vary from time to time.

## Balanced option



### Target asset allocation<sup>^</sup>

#### 50% Return seeking assets

- 16% Australian shares
- 20% International shares
- 4% Private equity
- 10% Return seeking alternatives

#### 50% Risk controlling assets

- 10% Risk diversifying alternatives
- 40% Fixed interest and Cash

### Overview

For investors who want a return above CPI over a five year period, with a medium to high degree of risk.

### Investment objective

The **Balanced option** provides a mix of asset classes, combining the growth features of the return seeking assets with the stability of the risk controlling assets.

The investment option aims to:

- achieve a return that exceeds CPI by at least 3.5% p.a. over a five year period, after tax and investment fees;
- outperform the notional return on the benchmark portfolio; and
- limit the likelihood of a negative annual return to three in 20 years (or 15%).

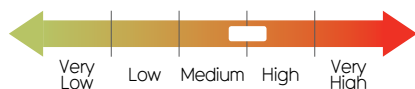
### Minimum suggested time to invest

5 years.

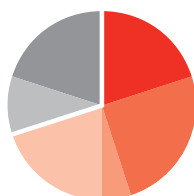
### Risk level

There may be short-term to medium-term volatility in these asset classes, as the investments have a medium to high degree of risk.

The estimated number of negative annual returns (net of tax) over any 20 year period is 2.8 years.



## Growth option



### Target asset allocation<sup>^</sup>

#### 70% Return seeking assets

- 20% Australian shares
- 25% International shares
- 5% Private equity
- 20% Return seeking alternatives

#### 30% Risk controlling assets

- 10% Risk diversifying alternatives
- 20% Fixed interest and Cash

### Overview

For investors who want a high return above CPI over a five year period, with a medium to high degree of risk.

### Investment objective

The **Growth option** is dominated by return seeking assets, although a moderate proportion of risk controlling assets are held.

The investment option aims to:

- achieve a return that exceeds CPI by at least 4% p.a. over a five year period, after tax and investment fees;
- outperform the notional return on the benchmark portfolio; and
- limit the likelihood of a negative annual return to four in 20 years (or 20%).

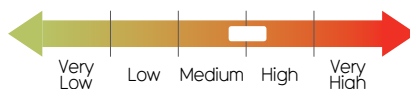
### Minimum suggested time to invest

5 years.

### Risk level

There may be short-term to medium-term volatility in these asset classes, as the investment has a medium to high degree of risk.

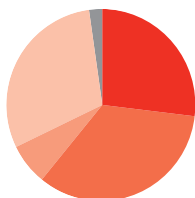
The estimated number of negative annual returns (net of tax) over any 20 year period is 3.5 years.



<sup>^</sup> The target asset allocation is an indication of the proportion of the investment option assets that are allocated to each asset class. The actual asset allocation to each of the asset classes may vary from time to time.

## ➤ INVESTMENTS (continued)

### Aggressive option



#### Target asset allocation<sup>^</sup>

##### 98% Return seeking assets

- 27% Australian shares
- 34% International shares
- 7% Private equity
- 30% Return seeking alternatives

##### 2% Risk controlling assets

- 2% Cash

#### Overview

For investors who want a very high return above CPI over a seven year period, with a high degree of risk.

#### Investment objective

With all of the assets invested in return seeking assets, the **Aggressive option** is expected to provide the highest level of returns in the long term. However this portfolio has the highest level of volatility and the likelihood of negative returns in any year is the highest.

The investment option aims to:

- achieve a return that exceeds CPI by at least 4.5% p.a. over a seven year period, after tax and investment fees;
- outperform the notional return on the benchmark portfolio; and
- limit the likelihood of a negative annual return to five in 20 years (or 25%).

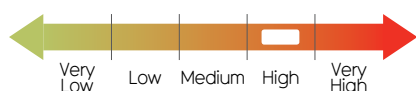
#### Minimum suggested time to invest

7 years.

#### Risk level

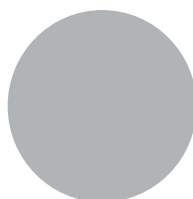
There may be short-term to medium-term volatility in these asset classes, as the investment has a high degree of risk.

The estimated number of negative annual returns (net of tax) over any 20 year period is 4.2 years.



### Term Deposit option

In addition to selecting a MIC option, some members may also choose to invest a portion of their account balance in the Term Deposit option.



#### Target asset allocation<sup>^</sup>

##### 100% Risk controlling assets

- 100% Fixed interest

#### Overview

For investors who want the short-term security of a fixed interest rate.

#### Investment objective

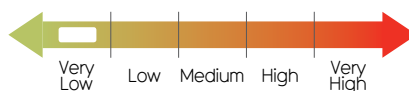
The **Term Deposit option** invests 100% in cash investments and has a short-term focus. It aims to provide a fixed interest rate on investments held for an agreed term.

#### Minimum suggested time to invest

Fixed for the term you select either 6 or 12 months.

#### Risk level

The investment has a very low degree of risk. The estimated number of negative annual returns (net of tax) over any 20 year period is 0 years. However, there are restrictions on early withdrawal from this investment option.



<sup>^</sup> The target asset allocation is an indication of the proportion of the investment option assets that are allocated to each asset class. The actual asset allocation to each of the asset classes may vary from time to time.



## The cost of managing your investment

The investment management costs for each of our MIC Options are set out below.

### 2012/2013

MIC Option	Actual Base Investment Management Costs (% p.a.)	+	Actual Investment Performance Fee (% p.a.)	=	Actual Investment Management Costs (% p.a.)
Cash	0.10		0.00		0.10
Conservative	0.35		0.04		0.39
Balanced	0.45		0.05		0.50
Growth	0.51		0.07		0.58
Aggressive	0.53		0.08		0.61

Actual base and performance fees are shown above for 2012/2013.

### 2013/2014

MIC Option	Actual Base Investment Management Costs (% p.a.)	+	Actual Investment Performance Fee (% p.a.)	=	Actual Investment Management Costs (% p.a.)
Cash	0.18		0.00		0.18
Conservative	0.39		0.09		0.39 – 0.48
Balanced	0.48		0.13		0.48 – 0.61
Growth	0.54		0.16		0.54 – 0.70
Aggressive	0.59		0.19		0.59 – 0.78

Estimated base and performance fees for 2013/2014 are shown above, noting that actual costs for 2013/2014 will be published in the 2013/2014 annual report.

## Notes

Investment management costs represent the direct costs of investing and managing your investments and include the base investment management costs and performance fees (if applicable). The credited interest rates applied to your account make allowance for the actual investment management costs.

### Base management fees

Base investment management costs include the direct costs charged by the external investment managers we use, the fees paid to our custodian and the Trustee's internal investment related costs.

### Performance based fees

Some of Qantas Super's investment managers also receive performance fees which are calculated as a percentage of any investment performance that is achieved above an agreed threshold. Performance fees are difficult to predict because the level of any outperformance by investment managers is not known in advance. The actual performance fees incurred by Qantas Super will depend on investment performance and will differ for each MIC option.

## INVESTMENTS (continued)

### Investment returns

#### Credited Interest Rates

The Credited Interest Rate (CIR) is the rate applied to any of your accounts that are invested in any of the investment options. The CIR represents, as far as is practicable, the net investment returns on the Plan's assets for the investment options after the Trustee has deducted the investment fees incurred by the Plan. CIRs can be positive or negative. The CIR for each of the investment options is determined monthly, and is published on [www.qantassuper.com.au](http://www.qantassuper.com.au).

The actual investment earnings applied to your accounts are based upon the CIR for the investment option your super is invested in, the period of time that you were invested in the investment option, and the timing of cash flows into and out of your account(s). For application purposes, the monthly CIRs are first annualised and then an adjustment is made to take into account the actual number of days in each month.

On 1 October 2012, we introduced weekly Interim Credited Interest Rates (ICIRs). ICIRs are used to calculate account balances at other dates and are determined by the Trustee. ICIRs may be positive or negative. The Trustee reviews the ICIRs on a regular

basis and may increase or decrease the ICIR that is applied to your account balance at any time. The ICIRs are also used to determine your final payment from the Plan, should you cease to be a Qantas Super member during the month. The ICIRs for a period will be replaced by the final declared CIR for that period once the CIR has been calculated.

The Trustee maintains an Investment Fluctuation Reserve (IFR) to monitor any deviations between actual net earnings and those credited or debited to members. Each year the IFR, either positive or negative, will be fairly distributed to members in each of the investment options and the assets backing the Plan's defined benefit liabilities. In determining a fair distribution of any IFR, whether positive or negative, the Trustee will (amongst other considerations) take into account the factors which led to the IFR emerging and the investment risk of each investment option. The Trustee may also use its discretion to take into account other factors relevant to the maintenance of equity within the Plan and between generations of members.

A history of the CIRs and investment returns is available on our website.

## Our investment returns

The tables below show the results for our investment options for the 2012/2013 year.

The long term returns provided below are the investment returns at an investment option level. They are not the investment returns of your own investment in the applicable investment options or the Plan.

### Returns for divisions other than Division 9 and Division 14

Long term returns are set out in the table to the right. These are compound average effective rates of return, net of tax and fees. Member Investment Choice (MIC) was introduced on 1 April 2005.

MIC Option	1 Year (% p.a)	3 Years (% p.a)	5 Years (% p.a)	10 Years (% p.a)
Cash	2.89	3.74	3.72	
Conservative	7.53	6.15	5.02	
Balanced	11.26	7.26	4.62	
Growth	13.48	7.84	3.89	7.11*
Aggressive	17.34	8.75	3.38	

Past performance is not a reliable indicator of future performance.

\*Based on the returns of the Growth option from 1 April 2005 to 30 June 2013 and the pre-MIC return on the Plan's general assets prior to then.

### Returns for Division 9

Long term returns are set out in the table to the right. These are compound average effective rates of return, net of tax and fees. Member Investment Choice (MIC) was introduced from 1 July 2007. Prior to that date, MIC was not available and accounts for Division 9 members were invested in the Growth option.

MIC Option	1 Year (% p.a)	3 Years (% p.a)	5 Years (% p.a)	10 Years (% p.a)
Cash	3.42	4.42	4.39	
Conservative	8.75	7.21	5.94	
Balanced	12.96	8.42	5.44	
Growth	15.52	9.07	4.58	8.12*
Aggressive	19.87	10.03	3.93	

Past performance is not a reliable indicator of future performance.

\*Based on the returns of the Growth option from 1 July 2007 to 30 June 2013 and the pre-MIC return on the Plan's general assets prior to then.

### Returns for Division 14

Long term returns are set out in the table to the right. These are compound average effective rates of return, net of tax and fees. Division 14 was introduced on 1 December 2008. As a result, five and 10 year returns are not yet available.

MIC Option	1 Year (% p.a)	3 Years (% p.a)
Cash	3.42	4.42
Conservative	8.75	7.21
Balanced	12.96	8.42
Growth	15.52	9.07
Aggressive	19.87	10.03

Past performance is not a reliable indicator of future performance.

## Financial position

Some of our members are entitled to defined benefits (members of divisions 1, 2, 3, 4 and 12). These benefits are generally calculated by reference to salary and length of service.

Accordingly, these benefits are not directly impacted by investment returns, and do not move up or down as investment returns vary.

Over time, Qantas Airways Limited makes the contributions which are recommended by the actuary as being necessary to meet the cost of providing the defined benefits.

The funding of those benefits has been designed to take account of the structure of defined benefits, and recognises that as well as the typical times when the underlying assets are higher than the total of the defined benefit liabilities, there will be times when the reverse is true.

This relationship is monitored by us and by our actuary, and changes are made to contribution rates when appropriate.

In 2009, following the downturn in the investment markets, an Additional Funding Plan (AFP) for our defined benefit divisions was implemented.

The AFP established a framework for monitoring our financial position and a process for the Trustee to request additional contributions from Qantas Airways Limited if certain trigger events occurred.

On 8 May 2013, Qantas Super approved a new AFP that addresses the requirements of the new APRA Prudential Standards. The new AFP applies for three years effective from 1 July 2013. It's subject to renewal every three years as part of the triennial actuarial review of the Plan.

In the unlikely event that the AFP is not renewed in 2016, the provisions of the relevant Prudential Standard would be applied in appropriate circumstances until such time as a new AFP was in place.

For the year ending 30 June 2013 Qantas Airways Limited has contributed \$27.9m of additional funding.

 Our full audited financial statements and the auditor's report for the year ended 30 June 2013 will be available on our website by 31 December 2013.

## Financial statements

The table below is a summary of Qantas Superannuation Limited's audited abridged financial statements for the financial year ending 30 June 2013. Our full audited financial statements and the auditor's report for the year ended 30 June 2013 will be available on our website by 31 December 2013. Hard copies of the full audited financial statements and auditor's report will then be available on request.



### ABRIDGED STATEMENT OF CHANGES IN NET ASSETS

	Year ending 30 June 2013 (\$ million)	Year ending 30 June 2012 (\$ million)
Plan at the start of the year	5,752.4	5,872.2
<b>PLUS</b>		
Company contributions	295.8	339.3
Member contributions	43.7	41.8
Government co-contributions	1.2	1.3
Transfers from other plans	28.5	22.5
Investment and other income	808.3	54.0
<b>LESS</b>		
Benefits	495.5	502.5
Administration expenses	7.9	7.0
Actuarial fees	0.5	0.5
Regulatory fees	1.9	0
Project expenses	1.5	0.4
Insurance	1.5	0.6
Superannuation surcharge	-0.1	-0.1
Excess contributions taxes	0.1	0.4
Investment expenses	38.2	23.8
Income tax	105.3	43.6
Plan at the end of the year	6,277.6	5,752.4

## ➤ FINANCIAL POSITION (continued)



### ABRIDGED STATEMENT OF NET ASSETS

	As at 30 June 2013 (\$ million)	As at 30 June 2012 (\$ million)
Investments (at Net Market Value)	6,236.6	5,691.9
<b>PLUS</b>		
Other assets	89.7	140.7
<b>LESS</b>		
Liabilities	48.7	80.2
Net assets available to pay benefits	6,277.6	5,752.4



## Reserves

We hold a number of reserves to cover abnormal mortality experience, foregone benefits and to account for any difference between actual Plan returns and amounts credited to the investment options.

Our investment strategy for these reserves is as per the investment objectives and strategy as described on page 28.

Full details about these reserves are disclosed in the notes to the financial statements. A copy of the Financial Statements for the year ending 30 June 2013 will be available on our website by 31 December 2013.

	Investment Fluctuation Reserve (\$'000)	Disability Reserve (\$'000)	Forgone Benefits Reserve (\$'000)
Reserve 30 June 2010	(4,364)	66,332	556
Amounts allocated during year	4,364	(7,192)	12
Transfers during year	(20,527)	2,885	258
<b>Reserve 30 June 2011</b>	<b>(20,527)</b>	<b>62,025</b>	<b>826</b>
Reserve 30 June 2011	(20,527)	62,025	826
Amounts allocated during year	20,527	(798)	(339)
Transfers during year	(7,244)	4,495	59
<b>Reserve at June 2012</b>	<b>(7,244)</b>	<b>65,722</b>	<b>546</b>
Reserve 30 June 2012	(7,244)	65,722	546
Amounts allocated during year	7,244	(14,018)	(100)
Transfers during year	(7,725)	4,543	96
<b>Reserve at June 2013</b>	<b>(7,725)</b>	<b>56,247</b>	<b>542</b>

### Funding a new risk reserve

Under new superannuation law from 1 July 2013, trustees of registered superannuation funds are required to establish and maintain adequate financial resources to cover any losses incurred as a result of specific operational risk events. An operational risk event may occur as a result of inadequate or failed internal processes, people and systems, or from external events.

To meet this new requirement, Qantas Super will be establishing a reserve of approximately 0.25% of invested assets over the next three years. To fund the reserve, we will make deductions from the investment returns on the assets of the Plan over the period from 1 July 2013 to 30 June 2016. This is a new cost to members that will be reflected in the credited interest rate applied to accumulation account balances, and corresponding deductions will be made from the general assets of the Plan that support defined benefits. We estimate that this will result in an increase of **0.084%pa** in investment management costs that apply until 30 June 2016. Details of the actual investment management costs for each investment option are included in the annual report (starting next year) after final returns for the year have been determined.

# Other important information

## Changes to the Trust Deed

During the year to 30 June 2013, amendments were made to the Trust Deed to:

- insert a new Gateway Division of the Plan that incorporates the new MySuper product for members of the division;
- permit the Trustee to transfer members and their benefits between divisions of the Plan;
- clarify that the amendment power can be used for retrospective amendments;
- facilitate the offering of term deposit investment options to certain members;
- facilitate insured benefits being funded by an external insurance policy instead of being self-insured out of the Plan;
- clarify the pre-existing condition provision in relation to self-insured benefits;
- expand the compliance provisions; and
- correct other minor formatting and typographical errors.

The Trust Deed is available from [www.qantassuper.com.au](http://www.qantassuper.com.au)

## Key people changes

- The four year term of Group B Director, Craig Pagden, concluded on 5 September 2012. At the close of nominations, Craig was the sole nominee. Consequently Craig will continue in his role for another four year term.
- Dimity MacDonald was appointed as Head of Member Services in September 2012.
- Andy Moser was appointed as Finance Manager in March 2013.
- Monica Hartan was appointed as Programme Manager in June 2013.

## Our approach to risk management

At Qantas Super, we've developed and implemented a comprehensive risk management program, which focuses on the identification, analysis, evaluation, treatment, monitoring and communication of risks. The risk management program is maintained and monitored by a dedicated and experienced Legal, Risk & Compliance team. It's subject to regular review and enhancements, and is also subject to an annual independent audit by Qantas Super's external auditor.

In 2012/2013, we completed a significant review and update to address new requirements under the Prudential Standards issued by the Australian Prudential Regulation Authority (APRA) as part of the Stronger Super reforms. This resulted in:

- the replacement of the Trustee's Risk Management Strategy and the Plan's Risk Management Plan with a comprehensive Risk Management Framework. The new framework recognises new specific risks and also how the relative significance of each risk is assessed. The changes to the framework more accurately reflect existing controls and business practice;
- the development of a Risk Appetite Statement to articulate the trustee's appetite for risk in relation to the operation of the Plan and related reporting tools;
- the design of a new Operational Risk Financial Requirement strategy to create and maintain a reserve to deal with any operations risk events that cause loss to the Plan (see reference to the new funding for the risk reserve on page 11);
- the continued establishment of a more strategic approach to the internal audit plan to enhance the value the Plan delivers, with specific focus on controls and potential areas of higher risk;

- the development and monitoring of training plans for the Qantas Super team to maintain the knowledge and skills needed in our roles and responsibilities;
- a review of our team's competencies and skills to ensure the Trustee has the necessary resources and capability to carry out its responsibilities; and
- enhancement of our corporate governance framework through the adoption of new policies and charters and updating board delegations and execution authorities.

## Contributions

You can vary your voluntary concessional and non-concessional contributions at any time. The Government has set caps or limits on the amount of contributions you can make to super without having to pay extra tax. There is a cap for concessional and non-concessional contributions. The caps and information about the penalty tax applied to contributions that exceed these caps can be found on [www.qantassuper.com.au](http://www.qantassuper.com.au).

## Superannuation surcharge tax

Surcharge was a tax on contributions that applied between 20 August 1996 and 30 June 2005. The surcharge is only applied to surchargeable superannuation contributions and certain eligible termination payments rolled into superannuation funds of higher income individuals.

Surcharge payments were assessed each year by the Australian Taxation Office (ATO) for each member. When a surcharge assessment was received by the Plan:

- The assessed amount was paid to the ATO; and
- The assessment amount was applied to the member's Surcharge Account.

The Surcharge Account therefore comprises any surcharge payments made to the ATO for a member, plus earnings at the Credited interest Rate (CIR). Members may contribute Non Concessional Contributions (NCCs) to reduce or eliminate the balance in the Surcharge Account. If you are entitled to receive a benefit, the balance of your Surcharge Account is deducted from your benefit entitlements.

## Eligible Rollover Fund

An Eligible Rollover Fund (ERF) is a superannuation fund specifically designed to hold unpaid superannuation benefits. Your benefit may be transferred to the Plan's nominated ERF in the following circumstances:

- **For members of Gateway** (which launched on 1 July 2013). Upon ceasing employment with the Qantas Group, subject to a minimum balance requirement of \$5,000, you will automatically become a Retained Member within Gateway. If your account balance is below \$5,000, we will automatically transfer your benefit out of Gateway and into Qantas Super's nominated ERF. We may also do so if your account balance falls below \$5,000 at any subsequent time.
- **For members of divisions other than Gateway.** Upon ceasing employment with the Qantas Group, if your payment instructions are not received by Qantas Super prior to your date of leaving employment, we will, after final contributions have been received and processed by Qantas Super, transfer your benefit automatically to Division 8 of Qantas Super, our retained benefits division. Division 8 has an eligibility requirement to have a minimum balance of \$5,000. We will review your account balance 90 days from the date you cease employment. If your account balance is below \$5,000, we will transfer your benefit

out of Division 8 and into Qantas Super's nominated ERF. We may also do so if your account balance falls below \$5,000 at any subsequent time.

Qantas Super's nominated ERF is AUSfund. The Product Disclosure Statement for AUSfund is available at [www.unclaimedsuper.com.au](http://www.unclaimedsuper.com.au). If your benefit is transferred to the ERF you will no longer be a member of Qantas Super and any insurance cover you have in Qantas Super will cease. You will need to contact the ERF about your benefit once it has been transferred. Please note that the conditions, fees and investment strategy of the ERF may be different from those of Qantas Super.

Contact details for AUSfund are:

**The AUSfund Administrator**  
PO Box 2468  
Kent Town SA 5071  
Phone: 1300 361 798  
Fax: 1300 366 233  
[www.unclaimedsuper.com.au](http://www.unclaimedsuper.com.au)

## Temporary residents

The Australian Government requires Qantas Super to pay temporary residents' unclaimed super to the Australian Taxation Office (ATO) after at least six months have passed since the later of:

- The date a temporary resident's visa ceased to be in effect;
- The date a temporary resident permanently left Australia.

Once your benefit has been transferred to the ATO, you will need to claim it directly from the ATO. As the Trustee relies on ASIC relief, you may not be issued an exit statement in this circumstance. If your benefit has not yet been transferred to the ATO, you can claim it from Qantas Super under the Departing Australia Superannuation Payment regime. Information regarding these procedures and current tax rates is available at [www.ato.gov.au](http://www.ato.gov.au).

## Trustee liability insurance

We maintain trustee liability insurance to indemnify the Trustee Directors, the Trustee, the Plan and, in some circumstances, the Company against insurable losses that may be incurred.

## Our service providers

The Trustee appoints a number of service providers to assist in the management of Qantas Super. In 2012/2013, our key service providers were:

### Insurance Provider

MLC Limited ABN 90 000 000 402  
AFSL 230694

### Actuary

Tony Miller, BSc (Hons), FIAA

### Administrator

Russell Employee Benefits Pty Ltd  
ABN 70 099 865 013

### Administrator (from 1 July 2013)

Mercer Outsourcing (Australia) Pty Ltd  
ABN 83 068 908 912

### External auditor

PricewaterhouseCoopers  
ABN 52 780 433 757

### Internal auditor

KPMG  
ABN 51 194 660 183

### Investment advisers

Towers Watson ABN 45 002 415 349;  
Arcadia Managed Investments Pty Limited  
ABN 45 160 510 798

### Investment managers

See pages 30–31

### Master custodian

JPMorgan Chase Bank, N.A.  
ABN 43 074 112 011

### Operational risk advisory services

Mercer Investments (Australia) Pty Ltd  
ABN 66 008 612 397

## OTHER IMPORTANT INFORMATION (continued)

### Principal legal advisers

Herbert Smith Freehills,  
the Australian partnership  
ABN 98 773 882 646

### Superannuation advisers

Mercer Consulting (Australia) Pty Ltd  
ABN 55 153 168 140

### Tax advisers:

PricewaterhouseCoopers  
ABN 52 780 433 757

### Website (public):

Red Flame Design  
ABN 77 088 927 673

## Member dissatisfaction policy (complaints)

We have in place a Member Dissatisfaction Policy to ensure member enquiries and complaints are resolved promptly and regulatory obligations are met.

In addition, we are obligated to provide you with any information you reasonably require to understand your benefits.

### How do I lodge a complaint?

1. To discuss your complaint, call Qantas Super on 1300 362 967 from 8am to 7pm AEST/AEDT weekdays.
2. If you'd prefer not to discuss the complaint with your service representative, or if your concern is not satisfactorily resolved, please direct your written complaint to:

Superannuation Inquiries Officer  
Qantas Superannuation Limited  
GPO Box 4303  
Melbourne VIC 3001  
Phone: 1300 362 967

The Superannuation Inquiries Officer will ensure that your complaint is investigated appropriately and will provide you with a response.

3. If you do not receive a response to your complaint within 90 days or are not satisfied with the response provided after going through Qantas Super's internal complaints process, you may be eligible to take your complaint to the Superannuation Complaints Tribunal (SCT).

The SCT is an independent body set up by the Federal Government to assist members or beneficiaries to resolve certain types of complaints. This is a free service to you. More information is available at the SCT website [www.sct.gov.au](http://www.sct.gov.au) or on 1300 884 114.

The SCT mailing address is:

Superannuation Complaints Tribunal  
Locked Mail Bag 3060  
MELBOURNE VIC 3001

If your complaint is outside the jurisdiction of the SCT, you may also have the right to take your complaint to the Financial Ombudsman Service (FOS). More information is available at the FOS website: [www.fos.gov.au](http://www.fos.gov.au) or by calling the FOS on 1300 780 808. The FOS mailing address is:

Financial Ombudsman Service  
GPO Box 3  
MELBOURNE VIC 3001

## Privacy Policy

The Trustee respects the privacy of your personal information, and is committed to complying with the National Privacy Principles (until 11 March 2014) and the Australian Privacy Principles (from 12 March 2014) in the Privacy Act 1988 (Cth).

**Collection of personal information:** The Trustee collects personal information about you so that the Trustee can admit you as a member of Qantas Super and provide you with services and benefits in connection with your membership of Qantas Super. If you are an employer-sponsored member, the Trustee also collects personal information about you from your employer.

### Consequences if the information is not collected:

If the Trustee does not collect your personal information, or if that information is incomplete or inaccurate, the Trustee may be unable to admit you as a member of Qantas Super or provide you with these services and benefits. It may also prevent the Trustee from being able to contact you.

If you do not provide your TFN, additional tax will be payable on employer or salary sacrifice contributions, you will be unable to make personal after-tax contributions and you will not qualify for the government co-contributions scheme (if eligible).

**Disclosure of your personal information:** The Trustee may disclose your personal information to third parties, such as your employer, Qantas Super's administrator, insurer, professional advisers, and organisations who provide services to the Trustee in relation to your membership of Qantas Super. Selected administration services are performed in India under strictly controlled conditions. The Trustee may also disclose your personal information to regulatory bodies such as the Australian Taxation Office, where this is required by law.

**Our Privacy Policy:** The Trustee's Privacy Policy sets out the Trustee's approach to the management of personal information. Subject to the Privacy Act 1998 (Cth), you can have access to and seek correction of your personal information. The Trustee's Privacy Policy contains information about how you can do this. The Privacy Policy also contains information about how you can make a complaint about a breach of privacy. The Privacy Policy is available on our website.

**Marketing:** The Trustee may use your personal information to let you know about products and services and seminars that the Trustee thinks may be of interest to you. However, you may opt out of receiving marketing information at any time by using the contact details of the Trustee or the Administrator provided below. More information is in the Trustee's Privacy Policy.

**Trustee contact details:**

The Privacy Officer  
Qantas Superannuation Limited  
GPO Box 4303  
Melbourne VIC 3001  
Phone: 1300 362 967

## Qantas Super's licences

Qantas Superannuation Limited (ABN 47 003 806 960) as Trustee holds the following licences:

- Registrable Superannuation Entity (RSE L0002257) licence which allows the Trustee to be the trustee of the Qantas Superannuation Plan (ABN 41 272 198 829), and
- Australian Financial Services Licence (AFSL 288330), which allows the Trustee to provide general financial product advice.

The Trustee will administer the Qantas Super Plan and provide a variety of information to members through publications like the annual report, annual benefit statement, newsletters and the website. The Trustee will also respond to queries from individuals relating to the superannuation products provided by the Trustee.

## Other information

The content of this annual report is of a general nature, is not intended to constitute financial product advice and has not been prepared taking account of your objectives, financial situation or needs. This annual report is not intended to take the place of a licensed financial adviser who understands your objectives, financial situation and needs. The Trustee recommends that before acting on any information contained in this document, you seek financial advice or other disclosure documents from a licensed independent financial adviser and read the Plan's Product Disclosure Statement for the particular division of which you are a member before making an investment decision.

The Trustee makes every attempt to ensure that the information in this document is accurate. Legislative and other changes after the time of publication may affect the accuracy of some of the information contained in this document.

**Registered office:**

10 Bourke Road  
Mascot NSW 2020.

# Contact us

## All divisions except Gateway (up to 31 December 2013)

If you're in a division other than Gateway, please use these contact details until 31 December 2013.



**Phone** 1300 654 384 (within Australia)  
+61 2 9374 3930 (outside Australia)



**Fax** +61 2 9372 6288



**Postal address** Qantas Superannuation Limited  
Locked Bag A4075  
Sydney South NSW 1235

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## All members from 1 January 2014



**Phone** 1300 362 967 (within Australia)  
+61 3 8687 1866 (outside Australia)



**Fax** +61 3 9245 5827



**Postal address** Qantas Superannuation Limited  
GPO Box 4303  
Melbourne VIC 3001

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This information in this document is of a general nature, is not intended to constitute financial product advice and has not been prepared taking account of your objectives, financial situation or needs. The Trustee recommends that before acting on any information contained in this document, you seek financial advice from a licensed financial adviser.

December 2013



[www.qantassuper.com.au](http://www.qantassuper.com.au)