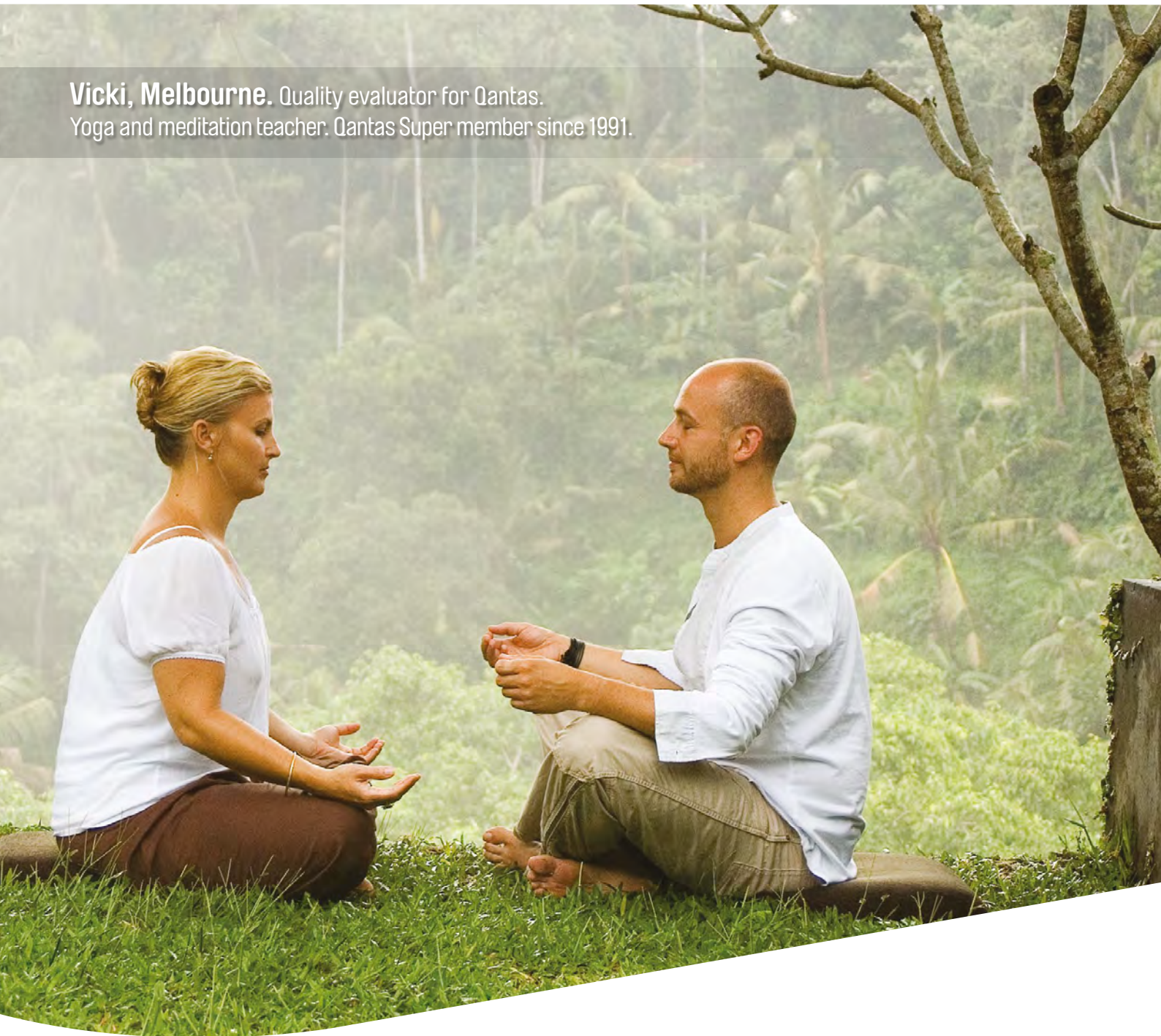


# 2013/2014 Annual Report

**Vicki, Melbourne.** Quality evaluator for Qantas.  
Yoga and meditation teacher. Qantas Super member since 1991.



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Thanks to our member on the cover, Vicki Gus, and her partner Jordan Dijkgraaf. Vicki, from Melbourne, has been a Qantas Super member for more than 23 years.



Issued by Qantas Superannuation Limited ABN 47 003 806 960 AFSL 288330 RSE L0002257 (QSL, we, us, our or Trustee) as trustee for the Qantas Superannuation Plan ABN 41 272 198 829 (Qantas Super or Plan)

# Report from the Chair and Chief Executive Officer

This year we marked 75 years as the superannuation fund for employees of the Qantas Group – and what a year it's been. We continued our focus on evolving Qantas Super in ways that ultimately lead to improved services and stronger outcomes for members.

The major superannuation industry reforms of the past few years have continued, and while we've incorporated those reforms into our initiatives, we're also conscious of making sure whatever we do is tailored for our members in the airline industry.

In this annual report, you'll read about the changes we've made in the past financial year, and the reasons for making those changes.

## We're leading the way with our innovative investment approach – and seeing results

In 2012, we became the first superannuation fund in Australia to implement a ground breaking approach to managing our investments in Australian and global equities using a centralised portfolio management (CPM) structure.

CPM adopts a 'whole of plan' trade execution model, which reduces duplication, brokerage and stamp duty, as well as centralising and standardising Qantas Super's proxy voting.

In 2013/2014, we delivered **\$22.4 million** in net benefits to members through the continued implementation of this approach. As with any innovation, this initiative took several years to develop and refine – our Investments team has worked hard to achieve this great outcome. Such has been our success, other super funds are now looking to follow our lead.

In other investment news, we're also pleased to tell you that, for the financial year ending 30 June 2014, we ranked first of 47 funds on a risk-adjusted returns basis for the Growth option. This reflects our belief that the level of risk taken to deliver the return (the journey) is critical in assessing the quality of the investment return (the destination).

## Adding value for members

At the end of 2013, we changed administrators – they look after member data, manage transactions and provide the Qantas Super Helpline. This was a challenging process as we moved more than 33,000 Qantas Super accounts from one administrator to the other – we appreciated your patience during that period. It's a complex activity at the best of times, and Qantas Super is a particularly complicated plan.

As a result of the move, we're able to offer improvements such as longer operating hours for the call centre, more comprehensive information about your account on the website, and weekly investment option switching (instead of monthly).

We've also been able to start offering members access to financial advice. As a member you can now ask the Qantas Super Helpline for general advice on topics such as the right investment choice, appropriate levels of insurance cover and contributions or how you are tracking towards your retirement goals. Members can also seek more comprehensive advice through independent licensed financial planners available in Sydney, Melbourne, Brisbane and other locations.

We launched our new flagship division, Qantas Super Gateway, which has been 'Gold' rated by the independent research organisation, SuperRatings. We've removed paperwork with the introduction of a new online rollover tool which allows members to consolidate any other super accounts into Qantas Super. We've also introduced online withdrawals for our pension members.

## Receiving recognition from others

We were delighted to receive a 'Gold' rating – two years in a row – from SuperRatings. We were also named a 'Rising Star' finalist by SuperRatings, and a finalist in the Association of Superannuation Funds of Australia Communication Awards (for the second year in a row) for our Boarding pass campaign. Incidentally, the winner of that campaign, pilot Malcolm James, recently claimed his prize with a family trip to London, and sent us this note: *"Our sincerest thanks to you and the team at Qantas Super for all your work and patience and for helping to make our trip such a fantastic family holiday."*

Enjoy reading the 2013/2014 Annual Report.



**Anne Ward**  
Chair

A handwritten signature in black ink, appearing to read 'Anne Ward'.



**Jane Perry**  
Chief Executive Officer

A handwritten signature in black ink, appearing to read 'Jane Perry'.



# Key achievements

in 2013/2014

## Highlights

- ✓ Achieved a number 1 ranking for the Growth option (out of 47 funds) compared to our peers for investment returns on a risk adjusted basis for the year ending 30 June 2014
- ✓ Delivered \$22.4 million in net benefits to members through our groundbreaking centralised portfolio management approach
- ✓ Achieved a 'Gold' rating from SuperRatings for the second year in a row
- ✓ Moved to a new administrator to provide members with a more comprehensive level of service
- ✓ Appointed MLC Limited to provide standard insurance benefits for members of Divisions 3A, 5, 6, 7, 10 and Gateway
- ✓ Introduced free, telephone-based financial advice to members
- ✓ Established a comprehensive advice service for all members
- ✓ Launched a new, secure member website with access to more detailed information about your super benefit
- ✓ Connected with more than 650 members in Sydney, Brisbane, Cairns, Adelaide and Melbourne via our face-to-face seminar program
- ✓ Enabled all defined benefit members with voluntary accounts to choose how this money is invested
- ✓ Introduced an online tool to allow members to roll in money from other funds with a few simple 'clicks'

## We ranked first for fund performance

Our Growth option ranked number 1 out of 47 funds, compared to our peers for investment returns on a risk adjusted basis for the year ending June 2014. Growth is by far the most common investment option for our members.

Our investment aim is to maximise long-term risk adjusted returns, net of taxes and expenses. This means we aim to deliver strong investment returns for members, while reducing the impact of downward movements as well.

This means that in the good times we may not get the headlines for the highest returns, but in the bad times we should do better than most.

The success of this approach is measured by SuperRatings (an independent superannuation research company) as 'risk adjusted returns', which measures the rate of return achieved in relation to the amount of risk taken.

The Qantas Super Trustee implemented this investment approach in November 2010 when, after the global financial crisis (GFC), it determined it was most important to deliver a smoother path of returns to members; that is, attractive absolute returns in rising markets and superior capital preservation in down markets.

Our strong risk-adjusted returns reflect the benefits of holding a portfolio of high quality, largely liquid investments that are appropriately diversified by strategy, geography and investment manager. Over the last five years we've been patiently and opportunistically building Qantas Super's exposure to a diversified mix of private market investments which offer an attractive long-term reward for the risk being taken. These investments now account for 35% of our Growth (default) option and include unlisted Australian and Asian

infrastructure, credit, hedge funds and private equity holdings, as well as unlisted Australian property.

The primary objective of this approach is to deliver a smoother 'glide path' of returns to our members by foregoing some upside return potential in order to better protect against the negative impact of downside risk events, such as the GFC. This is being achieved by holding a lower exposure to Australian and global equities, which are typically higher returning but more volatile asset classes, in favour of high quality private market investments.





We see patience, diversification and a well-executed investment strategy as the keys to long-term success in superannuation.

### Our groundbreaking centralised portfolio management approach continued to deliver savings

In last year's annual report we noted our costs of investing had been reduced by using a centralised portfolio management (CPM) structure to manage Qantas Super's Australian and global equities.

We're thrilled to report that this approach, together with other implementation efficiency initiatives, has continued to deliver significant net benefits to members. These totalled \$22.4 million in 2013/2014, which is equivalent to 35.1 basis points (0.351%) for members of the Growth option, and \$23.6 million per annum since CPM was first introduced on 1 August 2012. We believe our implementation efficiency initiatives should deliver at least 25 basis points (0.25%) per annum in sustainable net benefits to members.

Pleasingly, our tax-managed CPM approach has been generating plenty of interest across the superannuation industry as other funds strive to better manage their members' assets on an after-tax basis.

### We provided a \$30 administration fee rebate

We conducted a review of the costs and expenses involved in running the fund in 2013/2014, and identified some savings. We determined that, in this instance, we'll pass these savings back to those members who pay a full administration fee in the form of a \$30 rebate.

The administration fees paid by members in Divisions 6, 7, 8, 9, 14 and Gateway contribute to the overall running costs of the fund. For members in other Qantas Super divisions, Qantas Airways Ltd meets all or part of the administration costs for your division.

If you're eligible for the rebate, it was credited to your account. You'll also see it on your annual member statement for the year ended 30 June 2014.

### We moved to a new administrator to deliver more to members

Last year we appointed Mercer Outsourcing (Australia) Pty Ltd to provide administration and call centre services to Qantas Super.

The transition of data took place between December 2013 and early February 2014 – an extended timeframe due to the complexity and volume of data moving across from the old administrator.

Since the transition was completed, the change of administrator has delivered a number of significant benefits to members.

We now have a larger call centre team on hand to answer your questions about your super account and provide general advice. Our call centre hours are now longer – from 8am to 7pm weekdays. You can also leave feedback after your call to rate the performance of the team member who helped you.

We have also been able to introduce weekly processing of member investment switches. Further product enhancements are planned for 2015 and these will be communicated to you via the *Super Update* newsletter or Qantas Super website.

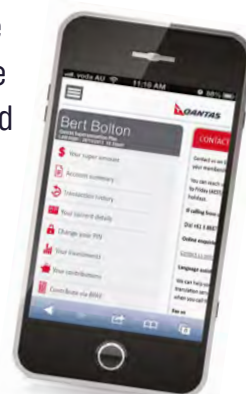
The new, secure member website provides a range of additional information and functionality and can also be saved as an "app" for quick access on mobile devices. In this way, you can now easily see:

- a more detailed breakdown of contributions including rollovers and split contributions (current employees only);
- insurance benefits in detail (for most members); and
- the status of requests you've made to the Plan.

Online functionality includes:

- Updating personal details such as addresses;
- Making an investment switch;
- Updating a non-binding beneficiary;
- Nominating how you prefer to receive communication from us; and
- Online rollovers to enable simple consolidation into Qantas Super.

The new, secure member website can also be saved as an "app" for quick access on mobile devices.



## Key achievements in 2013/2014 (continued)

### Good financial advice is a critical piece of the superannuation puzzle

#### **We introduced a range of financial advice options**

We believe good financial advice should be available to you when you need it. Just as many of us seek the opinion of medical professionals to help us manage our health, so too we should get the guidance of an advice professional when we are making important financial decisions.

We now offer access to free telephone-based general advice on a number of common topics, including:

- “Am I in the right investment option?”
- “Should I make additional contributions?”
- “Do I have enough insurance cover?”
- “How am I tracking towards my retirement goals?”

#### **Want a comprehensive picture of your situation?**

If you want a more complete review of your financial position, we offer access to a comprehensive advice service.

This advice is provided through Mercer Financial Advice (Australia) Pty Ltd ABN 76 153 168 293 AFSL #411766 (Mercer). Mercer advisers receive a salary which means they don't earn commissions from the products they recommend. They are also accredited on the Qantas Super Plan. Not all advisers have a good understanding of the Qantas Super Plan which means they don't necessarily understand the benefits of Qantas Super.

#### **Did you know?**

You may be able to pay for the proportion of an advice discussion that relates to your super from your super account balance.

#### **Future of your super campaign**

Between August and December 2013, we conducted the *Future of your super* campaign as part of the Federal Government's Stronger Super legislative requirements. From 1 January 2014, under Stronger Super, funds were required to ensure that any of their default members were set up with a MySuper-compliant account from 1 January 2014 to receive their compulsory employer (superannuation guarantee) contributions.

Our *Future of your super* campaign was designed to encourage default members to make an active choice about their super. They could elect to remain in their current division, choose an investment option, or move to Gateway (which incorporates MySuper).

As required by the legislation, default members who did not respond to the campaign and who were deemed to be better off in Gateway were, after a suitable notice period, transferred to Gateway.

#### **Super education for our members**

In 2013/2014, more than 650 members attended one of our face-to-face seminars across NSW, Queensland, South Australia and Victoria. The seminars covered planning for retirement as well as superannuation issues relating to redundancy. Feedback was positive and included the following comments:

- “Thank you for keeping the language easy to understand”
- “Excellent, very informative”
- “Great!”

## Member talks about trust in Qantas Super, and the advice offer

A Qantas Super member, who recently sought financial advice through Qantas Super's advice offer, shares his experience of the process.

Earlier this year, a Sydney-based Qantas IT Manager took advantage of Qantas Super's offer of a range of financial advice services.

"As with many people, I had a cloud surrounding financial services and financial advisers. I didn't really trust anyone. I was given a few names of advisers from time to time, but I was a bit doubtful about the whole thing. And then I saw Qantas Super was offering access to free advice, so it was fortuitous," the member said.

The member, who prefers to remain anonymous, contacted Michael Pearce, the adviser from Mercer Financial Advice (Australia) who sits in the Qantas building at Mascot campus, next to the Qantas Super team. (Michael works independently of Qantas Super but has detailed knowledge of the Plan.)

The member, who's been with Qantas Super for 25 years, said it was the association with Qantas Super that made him take the step of speaking with Michael. After an initial free session, he decided to pursue a more comprehensive advice discussion – a process which

looks at your whole financial situation of which super is just one part, and results in a tailored financial plan.

"Michael was the best choice for me," the member said.

"We sat in a room and he wrote things up on a board. He gave me a very visual explanation of options, and what I could do with my existing super. At the same time he also looked at how we could make better use of money my wife had through the Commonwealth Bank.

"He worked out that my wife and I have a very low appetite for risk, and he explained everything thoroughly. My knowledge of super was poor to limited. I've spoken to other financial advisers but they were a bit arrogant and didn't do a great job explaining financial services concepts. From the beginning Michael didn't assume we knew things and explained everything thoroughly and very well. I felt comfortable with him. He has the qualifications and has been doing this for a few years.

"I'm amazed by what I could have done with my super. It would have made a great difference if I'd done something with my super sooner."

The member said he would have no hesitation in pointing people to Michael, not only because of his knowledge and techniques in explaining matters to the member, but because of a fundamental and rare relationship.

"Michael was great. But the overriding thing for me is trust – trust in the association with the Qantas Super brand associated with the advice offer. The trust is there."

 ...the overriding thing for me is trust – trust in the association with the Qantas Super brand associated with the advice offer. The trust is there.

## Key achievements in 2013/2014 (continued)

### The Boarding Pass campaign

We ran the Qantas Super boarding pass promotion in June and July 2013, with entries from more than 7,500 members. The prize was four return tickets (upgradeable to Business Class) to a destination of the winner's choice. The winner, Malcolm James, a pilot from Sydney, recently took his wife Ginny, son Matthew and daughter Chloe to the Mediterranean and Europe via the UK. They told us:

"We had the best holiday, and family holiday, we have ever had, and it will be very hard to top. Some amazing memories and a great bonding experience for us all. Our sincerest thanks to Qantas Super. Also, thanks to our great airline Qantas and to all the ground staff and crew who looked after us so well and made the whole experience very special and enabled us to have the holiday of a life time."

**We had the best holiday, and family holiday, we have ever had, and it will be very hard to top.**



### Our awards and ratings

In 2013/2014, we were very proud to receive the following recognition:

- We were named a 'Rising Star' finalist in the SuperRatings awards in October 2013. SuperRatings is an independent research organisation. The Rising Star category recognises the fund that has developed the most significant suite of improvements for members in the previous year.
- A 'Gold' rating from SuperRatings for the **second** year in a row.
- We were named a finalist in the Association of Superannuation Funds of Australia (ASFA) Communication Awards for our Boarding Pass campaign in the category of 'Excellence in Member Communications'. (We were also named a finalist in 2012 for our new look product disclosure statements.)



ASFA Marketing Communications  
Forum & Awards 2014

AWARD FINALIST





## Other changes

The following table sets out other changes throughout 2013/2014. We shared this information with you via *Super Update*, direct letter or under our news section at [www.qantassuper.com.au](http://www.qantassuper.com.au).

Effective date	Changes	Detail	Applicable to...
1 July 2013	New default Qantas Super division	We rolled out our new flagship division, Gateway, which is now our default division for eligible members*. Gateway incorporates MySuper, a Federal Government initiative.	All eligible members*
1 July 2013	Continued to simplify the plan	We closed a number of divisions to new members*.	Members of Divisions 3A, 5, 6, 7 and 10
1 July 2013	Changes to fees and insurance	There were changes to fees and/or insurance for members in these divisions.	Members of Divisions 3A, 5, 6, 7 and 10
1 July 2013	Access to second opinion medical advice service	We introduced Best Doctors, a free service to Qantas Super members. Best Doctors is available to us as part of our insurance partnership with MLC Limited.	All members
1 July 2013	Change to asset allocation for Aggressive option	Previously the Aggressive option was invested in Return-Seeking Assets only. Under this change, the Aggressive option may invest 2% of its assets in Risk-Controlling Assets – Cash and Fixed Interest.	Members with Member Investment Choice (MIC)
1 July 2013	New industry requirement for funding risk reserve	We established a reserve of approximately 0.25% of invested assets to be funded over the next three years. To fund the reserve we will make deductions from the investment returns on the Plan's assets between 1 July 2013 and 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 Plan's general assets that support defined benefits. We estimate this will result in an increase of 0.084% p.a. in investment management costs that apply until 30 June 2016.	All members
September 2013	Impact of low interest rate levels upon returns for the Conservative investment option	The current low level of interest rates in Australia and worldwide may make it difficult to achieve the Conservative investment option's return objective (CPI+3.0%p.a.) over the next two to three years.	Members with Member Investment Choice (MIC)

\* Excludes members employed under certain Enterprise Bargain Agreements which specify a certain division in Qantas Super.

## Key achievements in 2013/2014 (continued)

Effective date	Changes	Detail	Applicable to...
October 2013	Continued to simplify the plan	We closed Division 11 and transferred members to Gateway.	Spouses
1 October 2013	Income protection premiums	From 1 October 2013, stamp duty became payable on temporary disability (income protection) premiums for Divisions 5 and 6. Where insurance premiums are paid by members, this cost is deducted from your account monthly in addition to the current income protection premium of \$1.74 (annual premium rate for every \$1,000 of income protection cover). Stamp duty ranges from 5-10%; the actual cost will be reflected in your premium.	Members of Gateway Members of Divisions 5 and 6
1 October 2013	Change to fees	Change to administration and exit fees	Members of Division 8
31 December 2013	Published the MySuper product dashboard (required by law)	As per legislative requirements, we published the MySuper product dashboard for Gateway Essentials.	All members
1 January 2014	Fee cap for Gateway Essentials	A cap of \$1,100 per year was applied to the administration fee (excluding the APRA fee component).	Members of Gateway
1 January 2014	Administration of the voluntary insurance tax deduction	From 1 January 2014, we changed the way we calculate the tax deduction component of your insurance. Qantas Super is entitled to claim a 15% tax deduction on insurance premiums. We've previously passed this on to you at the point of deducting the premiums. However, this deduction will now be passed onto you at the end of the financial year or when you leave Qantas Super.	All members
14 March 2014	Updated Product Disclosure Statements	Updated to accommodate regulatory requirement for all super funds to disclose fees and costs in a specific manner.	Members of Gateway Members of Divisions 7, 8, 9, 10 and 14
16 April 2014	Privacy policy	Updated to accommodate requirements of the Privacy Amendment (Enhancing Privacy Protection) Act 2012 (Privacy Amendment Act), which came into effect on 12 March 2014.	All members

Effective date	Changes	Detail	Applicable to...
16 April 2014	Distribution of your Qantas Super benefit in the event of your death	New rules for binding nominations	All members
March 2014	Change to personal after-tax contributions to Division 8	<p>You can now make personal after-tax contributions to your account of any amount (previously there was a \$3,000 minimum), making it easier to continue growing your super.</p> <p>There's also now no limit on the number of withdrawals you can make a year from your account (it used to be a maximum of two per year). These withdrawals are subject to preservation rules. An exit fee of \$100 per withdrawal applies.</p>	Members of Division 8
1 July 2014	We reduced the APRA levy for 2014/2015	APRA <sup>1</sup> , the government body responsible for supervising the superannuation industry, collects a compulsory levy from all super funds to fund the costs of its supervision. To cover the cost of this levy, an APRA fee is deducted as part of the administration costs for each Qantas Super division. For 2014/2015 we will reduce the APRA fee component of your administration fee (where applicable) to 0.02% <sup>2</sup> of your account balance (previously 0.03% of your account balance). You'll see this reflected in next year's annual statement.	All members
1 July 2014	We introduced weekly switching	Increased the frequency of processing switches between investment options.	All members

<sup>1</sup> APRA is the Australian Prudential Regulatory Authority.

<sup>2</sup> The rate of 0.02% pa may change over time. We will notify you of any changes as required by law.

# Your Board of Directors

as at 30 June 2014

## Company-appointed Directors



**Anne Ward** Chair

Anne joined the Qantas Super Board on 2 April 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, Colonial Mutual Superannuation Pty Ltd and Avanteos Investments Limited. She is a Board Member of ASX listed FlexiGroup Ltd and Chairman of the Zoological Parks and Gardens Board in Victoria.

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.

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.



**Paul Costello**

Paul Costello was appointed to the Qantas Super Board on 26 May 2014.

Paul has extensive experience in investments, governance, operations and superannuation policy.

He is currently a Non-Executive Director of AIA Australia Pty Ltd, a member of the RBA Payments System Board, a member of the International Advisory Council of the China Investment Corporation and Chairman of the QIC Global Infrastructure Committee.

Until recently, Paul was Chairman of the Blackstone Group in Australia and New Zealand.

Between 2011 and 2012, he was an advisor to the Federal Government in the role of Associate Commissioner for the Productivity Commission review into default superannuation and Chair of the peak Consultative Group for the implementation of Stronger Super.

Prior to that role, he was the inaugural Managing Director of the Future Fund and the first CEO of the New Zealand Superannuation Fund.

Paul holds a Bachelor of Arts in Business Administration from Canterbury University in New Zealand. He also has a Graduate Diploma in Business Administration from Massey University, New Zealand.





### **Jon Scriven\***

#### **Member since 2009**

Jon joined Qantas in April 2009 as the Group Executive People. He was appointed to the Qantas Super Board on May 5, 2009.

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.

He 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 on 6 August 2010.

Until August 2014, Nicole was the Head of Group Audit and Risk for the Qantas Group, and was 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 has a Bachelor of Business (Accounting major) and is a Certified Practising Accountant.



### **Russell Macfarlane**

#### **Member since 2009**

Russell joined the Qantas Super Board on 7 June 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.

He is also responsible for developing, reviewing and implementing the Group's Finance policies, and evaluating all future financial reporting developments, and 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 holds a Bachelor of Commerce and is a member of the Institute of Chartered Accountants of Australia.

\* For changes to the Qantas Super Board since 30 June 2014, see 'Key people changes and updates' on page 41.

## Your Board of Directors (continued)

### Member-elected Directors



**Mark Thorpe (Group A)**

**Member since 1999**

Mark was elected to the Qantas Super Board on 12 June 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 on 5 September 2008.

He has been a long haul flight attendant with Qantas Airways since 1989.

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, a Diploma of Business Management and a Diploma of Project Management.



**John Sipek (Group C)**

**Member since 1995**

John was elected to the Qantas Super Board on 12 August 2004.

He is an Aircraft Maintenance Engineer in Battery Section 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 the Chair of the Waterfab Corporation, the Deputy Chair 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 on 21 October 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 on 3 June 2010.

He has more than 20 years' experience in accounting and treasury-related roles, and is currently 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 Account 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 PPG 510.

The Qantas Super Board schedules six formal meetings a year, but meets more frequently if required. In 2013/2014, the Board met seven 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 as at 30 June 2014

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, backgrounds, and the need for diversity of views.

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 Plan assets and 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:** Paul Costello (appointed Chair on 12 June 2014), Kash Gillies (Chair until 12 June 2014), 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:** Kash Gillies (Acting Chair from 28 January 2014 and Chair from 12 June 2014), Peter Cosgrove (Chair until 28 January 2014), 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 (dissolved 10 December 2013)

Its purpose was 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 Management; and
- Oversee member communication and education in relation to the Stronger Super reforms and related initiatives.

The Stronger Super Implementation Committee held its last meeting on 6 December 2013 and was disbanded by the Board on 10 December 2013.

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

## Corporate governance (continued)

### Remuneration Committee

Its purpose is to:

- Conduct a regular review of 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), Jon Scriven and Anne Ward.

### 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, Richard Weatherhead (alternate for Geoff McRae until 17 April 2014) and Thierry Bateau (alternate for Geoff McRae from 17 April 2014).

## Directors' meetings

The following table sets out the Directors' attendance at Board and Committee meetings held in 2013/2014.

	Board	Audit & Risk	Insurance	Investment	Member Services	Remuneration	Stronger Super
<b>Number of meetings held</b>	7	5	4	6	4	2	3
Peter Cosgrove <sup>1</sup>	3				2		
Paul Costello <sup>2</sup>	1*			1*			
Kash Gillies	7	1*		6	4		
Nicole Grantham	7	5					
Russell Macfarlane	7	5	4	6			
Greg Manning	7	5		6		2	
Craig Pagden	7	5		1*	4		
Jon Scriven <sup>3</sup>	4				2	1	3
John Sipek	7	5			4		
Mark Thorpe	7		4	6			3
Anne Ward	7	1*		6	2*	2	3

### Notes

<sup>1</sup> General Peter Cosgrove resigned as a Director on 28 January 2014.

<sup>2</sup> Paul Costello was appointed as a Director on 26 May 2014.

<sup>3</sup> Jon Scriven resigned as a Director on 15 July 2014.

\* Attended as an observer.

## 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, investments and operations of the Plan;
- planning, developing and implementing strategy;
- developing products;
- ensuring we comply with legislative and regulatory requirements; and
- communicating with members.

# 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**  
Member since 2012

**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. 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. Member of the Australian Brandenburg Orchestra Board.



**Andrew Spence**

**Chief Investment Officer**  
Member since 2008

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

**Appointed:** 2008.

**Experience:** 29 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**  
Member since 2011

**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**  
Member since 2012

**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**  
Member since 2009

**Role:** Responsibility for all operational aspects of Qantas Super including member and investment operations.

**Appointed:** 2009.

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

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

**Education:** Bachelor of Business.

**Andy Moser**

**Finance Manager**  
Member since 2013

**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.

**Monica Hartan**

**Programme Manager**  
Member since 2013

**Role:** Responsibility for managing Qantas Super's various programme initiatives 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.

# Interesting facts in 2013/2014

as at 30 June 2014



**32,885 members**

## Interesting fact

Most of our members are based in Australia, but we have a handful based elsewhere in the world



**45**

## average age of members

Almost **72%** of our members are aged between 30 and 54



**59% male 41% female**



## 24,623 phone calls to the Qantas Super Helpline

(between January 2014 and June 2014)

**5,579**

members in the Gateway division



About **75%** of members have nominated a beneficiary



## What Vicki's planning after work

**Vicki Gus, Quality Evaluator**

Qantas Super member since 1991

For Vicki Gus (who appears on our cover), life in retirement will be filled with sharing the harmony and strength of yoga with other people.

A Yoga and Meditation teacher outside of her Qantas role, Vicki plans to explore opportunities arising from the current trend of businesses placing value on the health and wellbeing of their employees.



She and her partner Jordan Dijkgraaf have a long term plan to open a Yoga and Wellbeing centre, and also run yoga and meditation retreats in other countries, with a particular eye on Ubud in Bali.

"I embrace life completely. Yoga is my life, it's who I am. My purpose is to bring the yoga wisdom down from the mountaintop and into the marketplace, as a living process as applicable in the Boardroom as it is in a Yoga school."

“Our plan is to continue to grow and achieve and make our contribution to society, for as long as possible.

# The changing nature of the super landscape

The Australian superannuation industry has undergone a period of profound change. Stronger Super is one of the most significant pieces of reform since the Superannuation Guarantee (SG) was first introduced more than 20 years ago. In this update, we give a summary of key changes in super that have taken effect or been announced during 2013/2014.

## What's changed in super?

Following last year's federal election, the new Coalition Government announced how it was going to deal with a number of tax and superannuation announcements that had not yet been legislated. Further changes were announced in the 2014 May Budget. Some of these have been legislated and we explain these in more detail in the section below. Briefly, the proposals still to be legislated at the time of print are:

- The Federal Government announced in the May 2014 Budget that it would introduce an option for individuals with excess non-concessional contributions made from 1 July 2013 to withdraw the excess contributions and any 'associated earnings'. If withdrawn, the 'associated earnings' will be taxed at the individual's marginal tax rate. Any excess non-concessional contributions which are not withdrawn will be subject to excess non-concessional contributions tax.
- The government's intention to remove the Low Income Superannuation Contribution (LISC) on contributions made on or after 1 July 2013 has been deferred. The LISC will now continue to apply to contributions made up to 30 June 2017. The LISC ensures no tax is paid on superannuation guarantee contributions (at least at the 9% level) of individuals earning up to \$37,000.

- The government has announced a further increase in the account balance threshold for 'lost super' to be transferred to the ATO to \$4,000 from 31 December 2015 and again to \$6,000 from 31 December 2016. These accounts will receive interest equal to increases in the Consumer Price Index (CPI) after being transferred to the ATO.
- From 1 July 2013, the government abolished mandatory member protection rules for small balances in superannuation. Previously under member protection, if, at any time during a financial year, the value of your account was less than \$1,000 and included (or at one time included) Superannuation Guarantee or award contributions by the Company, the fees and charges applied to that benefit would not have exceeded the interest credited to your account. This protection has now been removed.

## The following matters are now legislation

### Superannuation Guarantee

The Superannuation Guarantee (SG) increased from 9.25% to 9.5% effective from 1 July 2014. In September 2014, the Federal Government successfully introduced legislation to freeze the SG rate at 9.5% until 30 June 2021, increasing to 10% from 1 July 2021 and then gradually increasing by 0.5% each year until it reaches 12 per cent from 1 July 2025.

### Deeming of superannuation income streams

From 1 January 2015 account-based superannuation income streams will be subject to the normal deeming rules for social security pension income tests, subject to grandfathering of the current rules for qualifying persons in receipt of a Social Security pension at 31 December 2014. Eligibility for grandfathering will cease if the Social Security pension a person was receiving at 31 December 2014 ceases, with the person subject to the deeming rules after that time.

### Higher concessional contributions cap for 2014/2015

The concessional (before tax) contributions cap for 2014/2015 is \$35,000 for older workers aged 49 or over at 30 June 2014. Concessional contributions include employer and salary sacrifice contributions. The cap increased to \$30,000 for younger workers.

The higher limit of \$35,000 for older workers is fixed and is not indexed (i.e. not automatically increased periodically). For younger workers, indexation of the \$30,000 a year concessional limit resumed from 1 July 2014.



### **Higher non-concessional contributions limit for 2014/2015**

The non-concessional (after-tax) contribution limit for 2014/2015 is \$180,000. However a member under age 65 can (unless they have already done so in the prior two years) generally bring forward two years of non-concessional contributions and make non-concessional contributions of up to \$540,000 in 2014/2015. This 'bring-forward' provision will automatically be triggered if non-concessional contributions of more than \$180,000 are made in 2014/2015 and excess non-concessional contributions will only arise if total non-concessional contributions for 2014/2015 and the next two years exceed \$540,000.

### **Increase to Super co-contribution income thresholds**

For 2014/2015, the lower income threshold for the government co-contribution increased to \$34,488, and the higher income threshold increased to \$49,488. If an individual earns between these two income thresholds and makes personal (after-tax) super contributions to a super fund, the government may also make a contribution (called a co-contribution) up to a maximum amount (\$500 in 2014/2015).

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

The Federal Government's additional contributions tax of 15% on some or all concessional contributions for members on incomes of \$300,000 or more has been legislated.

The tax applies retrospectively from 1 July 2012 and operates in a similar way to excess contributions tax. The member will be responsible for paying the additional tax and can generally request to have this paid from their super account.

Temporary residents can apply for a refund of this additional tax when they have left Australia.

### **Temporary Budget Repair Levy – impact on superannuation**

A three year temporary levy (the Temporary Budget Repair Levy) has been introduced on high income individuals from 1 July 2014 until 30 June 2017. The Temporary Budget Repair Levy will apply at a rate of 2% on individuals' annual taxable income in excess of \$180,000. Taxes related to the maximum marginal tax rate will also be impacted.

A number of other superannuation related tax rates, based on the top marginal tax rate plus Medicare Levy, will also increase from 1 July 2014 (including the excess

non-concessional contributions tax rate and the tax rates on employer contributions and benefits where a member has not provided their TFN). The tax rate on Departing Australia Superannuation Payments will increase from 35% to 38% for the period 1 July 2014 to 30 June 2017. The Medicare Levy increased on 1 July 2014 from 1.5% to 2%, affecting any tax charged on super payments that includes the Medicare Levy.

The changes to these tax rates apply across the board, not just to high income earners.

### **Changes to Privacy Law**

Change to privacy laws came into effect from 12 March 2014 and as a result, we updated our Privacy Policy. A copy can be found on our website at [www.qantasuper.com.au](http://www.qantasuper.com.au).

### **Anti-money laundering (AML) and counter terrorism financing (CTF) laws**

New customer due diligence obligations came into effect on 1 July 2014 as a result of changes to the AML/CTF laws.

With information sourced from Mercer Outsourcing (Australia)

# Investments

## Our investment philosophy, objectives and strategy

Our guiding principles for Plan 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 helping meet the specific investment objectives.

The Trustee's Investment Mission for the management of the Plan's assets is:

**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 our investments are made and implemented as cost efficiently as possible. Over the year, our implementation efficiencies have delivered \$22.4 million in net benefits to members, equivalent to 35.1 basis points (0.351%) at the Growth option level.



Implementation efficiencies have delivered net benefits of \$22.4 million to members

	30 June 2014 (\$ million)	30 June 2013 (\$ million)	Change (\$ million)
Return seeking assets			
Australian equities	1,345.12	1,176.21	+168.91
Global equities	1,684.14	1,440.47	+243.67
Private equity	293.25	233.22	+60.03
<b>Return seeking alternatives</b>			
Credit	334.40	97.57	+236.83
Diversity	474.93	414.16	+60.77
Infrastructure	283.68	221.29	+62.39
Property	313.18	316.08	-2.90
Total return seeking alternatives	1,406.19	1,049.1	+357.09
<b>Risk controlling assets</b>			
Risk diversifying alternatives			
Credit	308.12	507.49	-199.37
Diversity	193.72	124.86	+68.86
Total risk diversifying alternatives	501.84	632.35	-130.51
Fixed interest	1,205.93	1,013.88	+192.05
Cash	427.97	693.79	-265.82
<b>Total Plan assets*</b>	<b>6,864.44</b>	<b>6,239.02</b>	<b>+625.42</b>

**Please note:** The 'Total Plan assets' figure (\* in above table) and the 'Net assets to pay benefits' figure (on page 38) are different for the following reason. The basis of valuation for actual asset allocation purposes is Gross Market Value. The basis of valuation for total managed investment portfolios and the audited abridged financial statements (page 38) is Net Market Value. You can see the asset allocation for each Member Investment Choice Option (as at 30 June 2014) by visiting [www.qantasuper.com.au](http://www.qantasuper.com.au)

## About the Member Investment Choice options

The Member Investment Choice (MIC) 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 growth investments that are expected to deliver higher returns over time, but whose return may be more variable from year to year. Return seeking assets include Australian and global equities and private equity.

- **Equities or shares** – Equities or shares 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) holdings. 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 investments that 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. Term deposits may also be held.

Each of the investment options is invested in these asset classes in different proportions. Refer to the website or 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 model portfolios provided by 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, no one single asset represents more than 5% of the Plan.

Additionally, as at 30 June 2014:

- Four investment managers individually managed more than 5% of the Plan's assets as at 30 June 2014; and
- We had approximately \$6.1 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 by our Australian equities investment managers independently of 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 2014	Market
<b>Australian equities</b>	
Allan Gray Australia Pty Ltd	Australian
Ellerston Capital Limited*	Australian
Independent Asset Management Pty Limited*	Australian
Parametric Portfolio Associates LLC <sup>1</sup>	Australian
<b>Global equities</b>	
Black Creek Investment Management Inc*	Global
Dundas Partners LLP*	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>	
ROC Capital Pty Limited (including QPET) (formerly Macquarie Investment Management Limited)	Global
<b>Return seeking alternatives (Credit)</b>	
Oak Hill Advisors LP	Global Opportunistic Credit
Sankaty Advisors LLC	Global Opportunistic/Distressed Credit
<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	Australian 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>Overlays</b>	
Russell Investment Management Limited	Whole of Plan

\* Investment advisers only

<sup>1</sup> Parametric Portfolio Associates LLC ("Parametric") is 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 and Independent Asset Management 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 Black Creek Investment Management Inc, Dundas Partners LLP, Lazard Asset Management Pacific Co, QS Investors LLC, Realindex Investments Pty Limited, and Southeastern Asset Management, Inc.

## Investment round-up

The returns for financial year 2013/2014 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. Qantas Super offers five differentiated investment strategies for members with investment choice.

For example, our 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 should 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 potentially lower returns. If you're invested in the Growth option, we anticipate it may achieve a median 20-year return of around 7.7% per annum after investment fees and taxes, with a probability of a negative return in no more than four years in every 20.

## How we performed

We delivered a return of 12.22%, after fees and taxes, to members invested in our default Growth option for the year to 30 June 2014.

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 as expected in an environment where interest rates and bond yields are at record lows.

While annual returns are important, our focus remains on effectively managing investment risks to deliver strong, long term returns for you over your working life and into retirement. Member returns over three years (8.51% per year for the Growth option) and five years (8.89% per year for the Growth option) are all above return objectives.

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. For more information on the risk and return objectives of your investment options, go to pages 31 to 34.

## In detail

The 2013/2014 year was another strong year for listed equities – Australian equities returned more than 17.5%, while global equities returned more than 21%. While the US scaled back its quantitative easing (QE) program, interest rates remain at record lows and other central banks around the world have continued to expand their QE programs effectively pushing risky assets higher given the availability of easy capital. There were several noticeable spikes in volatility through the year. Emerging markets had a particularly wild ride. However, the excess liquidity provided by central banks meant that volatility generally remained at depressed levels relative to historical averages.

The level of the Australian dollar seems to be at the heart of any potential uplift in growth for the Australian economy. Throughout the year the Reserve Bank of Australia (RBA) commented that the Australian dollar remains uncomfortably high and this has the potential to derail economic rebalancing away from the mining boom to other sectors of the economy, for example tourism, education and financial services.

## Investments (continued)

Currency depreciation could help a number of sectors of the Australian economy to become more competitive globally and drive growth. While further rate cuts from their current record lows could precipitate a fall in the Australian dollar, the RBA is somewhat hamstrung by the housing market in Australia which has continued to post double digit returns. It seems that a fall in the Australian dollar will only really take hold when the US starts to raise rates, potentially in mid 2015. The Australian dollar actually rallied slightly from around USD\$0.93 at the end of June 2013 to just above USD\$0.94 at the end of June 2014.

Global government bond yields again ground lower throughout the year, after they had initially spiked higher on the back of the US Federal Reserve's proposed tapering program in June and July 2013. 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.

### What does the coming year hold?

For the most part the market seemed to trade through the seemingly ever-growing list of geo-political tensions, Russia and the Ukraine, conflict in Gaza and the growing threat of Islamic State in Iraq and Syria. Of these, the situation in the Ukraine seems to have the most capacity to impact financial markets, in particular the fragile recovery in growth underway in Europe. Looking forward, the outlook for economic growth in China will be a key factor in the performance of financial markets. While China has managed to eke out some positive manufacturing numbers in the second half of 2013/2014, the key risk seems to be the Chinese banking sector which is yet to write down any significant losses.

Finally, while it seems most Central Banks continue to provide highly accommodative monetary policy settings, all eyes will be on the US Federal Reserve and the timing of any interest rate increases. Markets appear to expect a gradual increase in rates to normal levels over the next year or two. However, a bout of inflation in the US could see rates rise much more rapidly, causing significant volatility across global markets.

Qantas Super continues to look at potential market risks and opportunities and will aim to position member portfolios accordingly.



## How your super is invested

In 2013/2014, most members 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.

In 2013/2014, switches between MIC options were available on a monthly basis. (Note that weekly switching was introduced on 1 July 2014.)

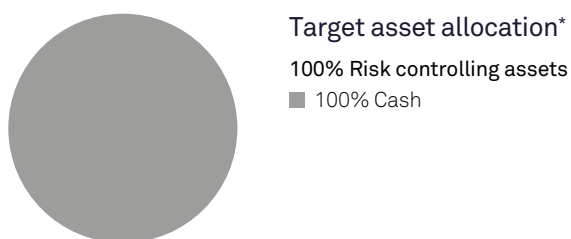
In 2013/2014, MIC was not available to members in Divisions 1\*, 4 or 12, or to members in Division 2\*\* with defined benefit guarantees resulting from prior membership of Australian Airlines plans. (Note that MIC became available on certain accumulation accounts for these members from 17 September 2014.)

\* Members of Division 1: In 2013/2014, you could only exercise Member Investment Choice (MIC) from the date you reached your normal Retirement Date for superannuation purposes. For further information, please contact us.

\*\* Members of Division 2 with defined benefit guarantees: In 2013/2014, you may have been eligible for MIC if you chose to forego your defined benefit guarantees.

## Investments (continued)

### Option: Cash/Cash Choice



#### 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/Cash Choice 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.

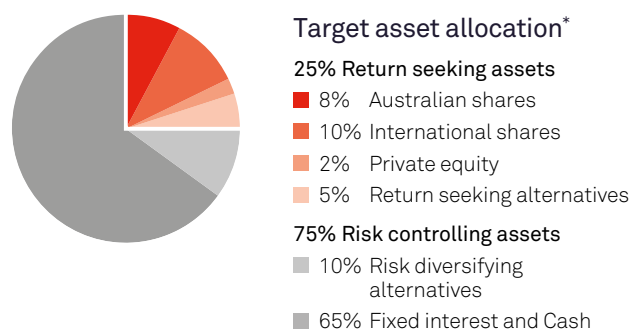
#### Risk level

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.



### Option: Conservative/Conservative Choice



#### 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/Conservative Choice 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% pa 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 (or 5%).

#### Minimum suggested time to invest

3 years.

#### Risk level

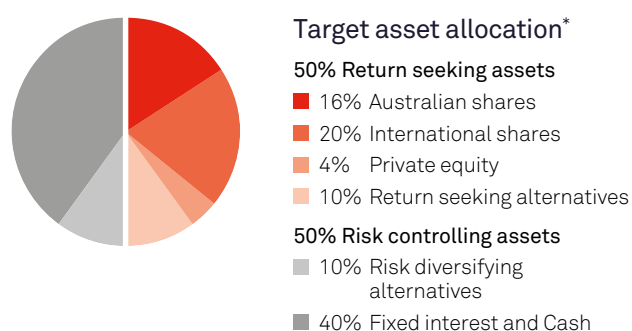
The investments have a low to medium degree of risk.

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



\* 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.

## Option: Balanced/Balanced Choice



### 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/Balanced Choice** 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% pa 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 (or 15%).

### Minimum suggested time to invest

5 years.

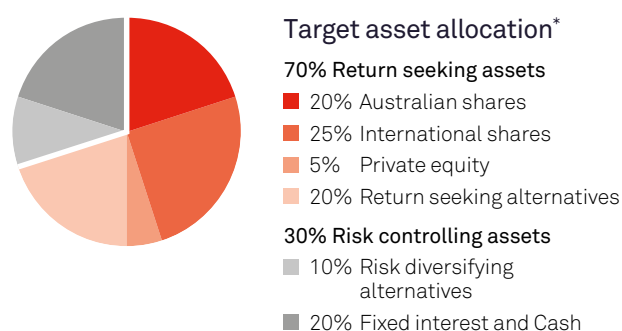
### Risk level

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

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



## Option: Growth/Growth Essentials/Growth Choice



### 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/Growth Essentials/Growth Choice** option is dominated by return seeking assets, although a small proportion of risk controlling assets are held.

The investment option aims to:

- achieve a return that exceeds CPI by at least 4% pa 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 years in every 20 years (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.

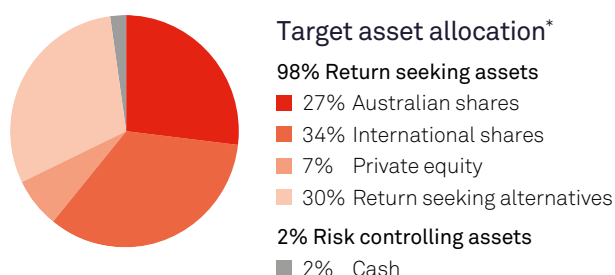
The estimated number of negative annual returns (net of tax) over any 20 year period is 3.5 years.



\* 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)

### Option: Aggressive/Aggressive Choice



#### 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/Aggressive Choice 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% pa 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 years in 20 (or 25%).

#### Minimum suggested time to invest

7 years.

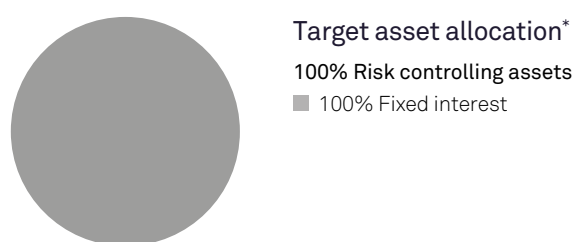
#### Risk level

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.



### Option: Term Deposit/Term Deposit Choice



#### Overview

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

#### Investment objective

The **Term Deposit/Term Deposit Choice 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.



\* 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.

## Investment returns

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.

During 2013/2014, the CIR for each of the investment options was determined monthly, and was 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.

We use weekly Interim Credited Interest Rates (ICIRs) where a CIR has not been declared. 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.

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

Note: From 1 July 2014, we began processing investment switches weekly (previously monthly) on the first Wednesday following the date a switch request is received. Credited Interest Rates are determined weekly (previously monthly). The Trustee may also suspend processing of investment switches during times of investment market volatility or illiquidity.

## Investments (continued)

### Our investment returns

The tables below set out our results for our investment options for the 2013/2014 year. The long term returns (ie 5 years, 10 years or since inception) are the investment returns at an **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 Gateway, Division 9 and Division 14

These are compound average effective rates of return, net of tax and fees. Member Investment Choice (MIC) was introduced on 1 April 2005.

Option	1 year (% p.a.)	5 years (% p.a.)	10 years (% p.a.)	Since inception if less than 10 years (% p.a)
Cash	2.09	3.30	n/a	4.02
Conservative	6.85	6.55	n/a	5.37
Balanced	10.13	8.09	n/a	6.07
Growth	12.22	8.89	6.88 <sup>1</sup>	n/a
Aggressive	14.78	9.80	n/a	6.59

<sup>1</sup> Based on the returns of Qantas Super's Growth option from 1 April 2005 to 30 June 2014 and the return on Qantas Super's general assets for the period prior to 1 April 2005.

Past performance is not a reliable indicator of future performance.

#### Returns for Gateway

These are compound average effective rates of return, net of tax and fees. As the Gateway division only commenced on 1 July 2013, the 5 year, 10 year and since inception returns shown are based on the returns of the corresponding investment options which have been available through other Qantas Super divisions from 1 April 2005.

Option	1 year (% p.a.)	5 years (% p.a.)	10 years (% p.a.)	Since inception if less than 10 years (% p.a)
Growth Essentials	12.22	8.89	6.88 <sup>2</sup>	n/a
Cash Choice	2.09	3.30	n/a	4.02
Conservative Choice	6.85	6.55	n/a	5.37
Balanced Choice	10.13	8.09	n/a	6.07
Growth Choice	12.22	8.89	6.88 <sup>2</sup>	n/a
Aggressive Choice	14.78	9.80	n/a	6.59

<sup>2</sup> Based on the returns of Qantas Super's Growth option from 1 April 2005 to 30 June 2014 and the return on Qantas Super's general assets for the period prior to 1 April 2005.

Past performance is not a reliable indicator of future performance.

#### Returns for Division 9 and 14

These are compound average effective rates of return, net of tax and fees.

**Division 9:** Member Investment Choice (MIC) was introduced on 1 July 2007. Prior to that date, accounts for Division 9 members were invested in the Growth option.

**Division 14:** As Division 14 only commenced on 1 December 2008, the 10 year and since inception returns shown are based on the returns of the corresponding investment options available through Division 9 from 1 July 2007.

Option	1 year (% p.a.)	5 years (% p.a.)	10 years (% p.a.)	Since inception if less than 10 years (% p.a)
Cash	2.49	3.91	n/a	4.48
Conservative	7.86	7.65	n/a	5.59
Balanced	11.58	9.35	n/a	5.10
Growth	13.99	10.26	7.88 <sup>3</sup>	n/a
Aggressive	16.98	11.25	n/a	3.69

<sup>3</sup> Based on the returns of Qantas Super's Growth option from 1 July 2007 to 30 June 2014 and the return on the general assets for the period prior to 1 July 2007.

Past performance is not a reliable indicator of future performance.



## The cost of managing your investment

The investment fees for each of our MIC options are set out below.

### 2013/2014

Here are the actual base and performance fees for the year.

MIC Option	Actual Base Investment Fees (% p.a.)	+	Actual Investment Performance Fees (% p.a.)	=	Actual Investment Fees (% p.a.)
Cash	0.17		0.00		0.17
Conservative	0.34		0.08		0.42
Balanced	0.41		0.11		0.52
Growth	0.45		0.13		0.58
Aggressive	0.49		0.14		0.63

### 2014/2015

Here are the estimated base and performance fees for the year.

MIC Option	Estimated Base Investment Fees (% p.a.)	+	Estimated Investment Performance Fees (% p.a.)	=	Estimated Investment Fees (% p.a.)
Cash	0.18		0.00		0.18
Conservative	0.35		0.00 – 0.07		0.35 – 0.42
Balanced	0.42		0.00 – 0.11		0.42 – 0.53
Growth	0.46		0.00 – 0.12		0.46 – 0.58
Aggressive	0.50		0.00 – 0.15		0.50 – 0.65

## Notes

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

### Base management fees

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

### Divisions 1, 2, 3, 4 and 12

If some or all of your super benefit is calculated using a defined benefit formula, the investment fees relating to that defined benefit component are paid out of Qantas Super's general assets and are not deducted from your benefit. If you have accumulation accounts, the investment fees relating to that component of your benefit are based on the relevant option shown in the table above and are a cost to you.

# Financial position

## Financial statements

These tables are a summary of the Plan's audited abridged financial statements for the financial year ending 30 June 2014. Our full audited financial statements and the auditor's report for the year ended 30 June 2014 will be available on our website by 31 December 2014. Hard copies of the full audited financial statements and auditor's report will then be available on request.

### Abridged statement of net assets

	As at 30 June 2014 (\$ million)	As at 30 June 2013 (\$ million)
Investments (at Net Market value)	6,870.7	6,236.6
<b>Plus</b>		
Other assets	33.8	89.7
<b>Less</b>		
Liabilities	54.4	48.7
<b>Net assets available to pay benefits</b>	<b>6,850.1</b>	<b>6,277.6</b>

### Abridged statement of changes in net assets

	Year ending 30 June 2014 (\$ million)	Year ending 30 June 2013 (\$ million)
Plan at the start of the year	6,277.6	5,752.4
<b>Plus</b>		
Company contributions	283.3	295.8
Member contributions	48.1	43.7
Government co-contributions	0.4	1.2
Low income super contributions	0.5	–
Transfers from other plans	38.8	28.5
Investment and other income	854.9	808.3
<b>Less</b>		
Benefits	477.7	495.5
Administration expenses <sup>1</sup>	9.3	7.9
Actuarial fees	0.6	0.5
Regulatory fees	1.5	1.9
Project expenses	0.7	1.5
Administration implementation fee	0.5	–
Insurance <sup>2</sup>	11.2	1.5
Superannuation surcharge	-0.1	-0.1
Excess contributions taxes	0.1	0.1
Investment expenses	35.0	38.2
Income tax	117.0	105.3
<b>Plan at the end of the year</b>	<b>6,850.1</b>	<b>6,277.6</b>

<sup>1</sup> Administration expenses comprise payments of staff, Board, finance, operations, member services, legal, risk and compliance and other operating expenses, which reflects a shift to market based fees, as well as additional expenses incurred to meet the enhanced APRA reporting requirements and other compliance related costs, and cover additional member offerings such as general and intra fund financial planning advice.

<sup>2</sup> Up to 30 June 2013, Qantas Superannuation Limited self-insured death and disability benefits for members of defined contribution divisions. These benefits were funded through the allocation of assets to reserves maintained for this purpose. On 1 July 2013 insurance for all defined contribution divisions transferred to external insurance policies with MLC Limited. As a result the benefits were instead funded by the payment of premiums out of the assets to MLC Limited. The current year accounts show a significant year-on-year increase in actual insurance premium expense paid and a significant reduction in the level of reserves held to cover self-insured benefits.

### Contributions for defined benefits

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 Plan 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 Qantas Super as the trustee and by the Plan actuary, and changes are made to contribution rates when required.

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 us to request additional contributions from Qantas Airways Limited if certain trigger events occurred.

On 8 May 2013, Qantas Super agreed a new AFP with Qantas Airways Limited 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 if required until such time as a new AFP was in place.

For the year ending 30 June 2014 Qantas Airways Limited contributed \$10.6m of additional funding.

## Financial position (continued)

### Reserves

In line with sound Plan administrative and financial practice and actuarial advice, reserves are maintained to safeguard the Plan against events such as major catastrophes or abnormal mortality experience, to monitor deviations between actual returns and amounts credited to the investment options and to address operational risk losses incurred by the Plan.

Our investment strategy for these reserves is as per the investment objectives and strategy as described on page 26.

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 2014 will be available on our website by 31 December 2014.

	<b>Investment Fluctuation Reserve (\$'000)<sup>1</sup></b>	<b>Disability Reserve (\$'000)<sup>2</sup></b>	<b>Other Insurance Reserves (\$'000)<sup>2</sup></b>	<b>Foregone Benefits Reserve (\$'000)<sup>3</sup></b>	<b>Operational Risk Reserve (\$'000)<sup>4</sup></b>
<b>Reserve 30 June 2011</b>	<b>(20,527)</b>	<b>62,025</b>	–	<b>826</b>	–
Amounts allocated during year	20,527	(798)	–	(339)	–
Transfers during year	(7,244)	4,495	–	59	–
Reserve 30 June 2012	(7,244)	65,722	–	546	–
<b>Reserve 30 June 2012</b>	<b>(7,244)</b>	<b>65,722</b>	–	<b>546</b>	–
Amounts allocated during year	7,244	(14,018)	–	(100)	–
Transfers during year	(7,725)	4,543	–	96	–
Reserve 30 June 2013	(7,725)	56,247	–	542	–
<b>Reserve 30 June 2013</b>	<b>(7,725)</b>	<b>56,247</b>	–	<b>542</b>	–
Amounts allocated during year	8,120	(2,701)	(3,882)	(75)	–
Transfers during year	(395)	(35,099)	17,238	(467)	5,510
Reserve 30 June 2014	–	18,447	13,356	–	5,510

<sup>1</sup> The Investment Fluctuation Reserve was designed to account for any deviations between the actual returns of the Plan and the amounts credited to the investment options. Following the introduction of unit pricing to the Plan, and changes to valuation methodology from 1 July 2013, this reserve is no longer considered necessary.

<sup>2</sup> The Disability Reserve has been maintained to provide for self-insured current disability claims as well as provide a reserve in respect of all potential self insured death and disability claims that are not covered by the allowance in regular Company contributions. With the introduction of external insurance for defined contribution members from 1 July 2013 and in anticipation of external insurance for defined benefit members which was introduced from 1 August 2014, the Disability Reserve was able to be reduced to cover just the pre-existing disability claims for members of Divisions 1 and 2. A separate 'Other Insurance Reserves' was established to cover pre-existing disability claims for members of other divisions of the Plan and self-insured incurred but not reported (IBNR) risks under the Plan, and any new self-insured claims arising after 1 July 2013.

<sup>3</sup> Benefits foregone by Division 1 members on resignation and certain employer contributions in respect of Division 1 members not required to meet the disability benefits of Division 1 members are credited to the Foregone Benefits Reserve. The balance of the reserve as at 30 June each year net of applicable costs is allocated to all members of Division 1 as at that date. For the year ending 30 June 2014 the balance was nil and hence no distribution to members has been recommended.

<sup>4</sup> The Operational Risk Reserve is designed to maintain adequate financial resources to address losses arising from operational risks that may affect the Plan within its business operations. Refer to 'New industry requirement for funding risk reserve' under 'Other changes' on page 9.

# Other important information

## Changes to the Trust Deed

The Trust Deed and Rules were amended on 14 March 2014 in order to:

- Align the processes for dealing with death benefit entitlements in respect of members of Gateway and other divisions of the Plan;
- Provide some flexibility regarding the administration of member accounts and the deduction of expenses;
- Make other minor changes to the terms of the Trust Deed and Rules; and
- Rectify a previous error in the Trust Deed and Rules regarding the terms of Rule 18.7(c).

The Trust Deed and Rules were further amended on 10 October 2014 to include the provisions of a new Division 15 of the Plan, which relates to Australian Air Express employees who transferred into the Plan from the Australia Post Superannuation Scheme with effect from 1 November 2014.

## Key people changes and updates

- General Peter Cosgrove resigned from the Qantas Super Board on 28 January 2014 to take up the role of Governor-General of Australia.
- The four year term of Group E Director, Greg Manning, concluded on 3 June 2014. Following an election, he was re-elected for another four year term. Group E comprises members classified by

Qantas as being other than Groups A to D and includes Airline Officers' Award Level 5 – Senior Professional 2, Executive/Management Framework employees, Business & Information Technology Professionals and Professional Engineers.

- Paul Costello was appointed to the Qantas Super Board by Qantas Airways Limited on 26 May 2014.
- Company-appointed director, Jon Scriven, resigned from the Qantas Super Board on 15 July 2014.
- Karen Lonergan was appointed to the Qantas Super Board by Qantas Airways Limited on 17 July 2014, replacing Jon Scriven. She resigned from the Qantas Super Board on 27 November 2014.
- Company-appointed director, Nicole Grantham, resigned from the Qantas Super Board on 22 November 2014.
- Andrew Monaghan joined the Qantas Super Board as a company-appointed director on 26 November 2014, replacing Nicole Grantham.

## 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 2013/2014 we implemented all the governance and risk management changes required to meet the new APRA\* Prudential Standards. This has culminated in the completion of a Risk Management Declaration that has been approved by the Board of Directors and submitted to APRA. The Declaration confirms that, in all material respects, the Trustee has risk management and compliance systems, controls and resources in place (including in relation to any outsourcing of business activities) that:

- Enable the Trustee to monitor and manage risks, and produce and report accurate financial and statistical information;
- Are appropriate having regard to the size, business mix and complexity of the Trustee's business operations and the Trustee's operational capabilities; and
- Are adequate and operating effectively.

\* APRA is the Australian Prudential Regulation Authority, which is the prudential regulator of the Australian financial services industry.

## Other important information (continued)

### 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.qantasuper.com.au](http://www.qantasuper.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). 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 super 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 at the time you become a Retained Member, 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. Division 8 has an eligibility requirement to have a minimum balance of \$5,000, this requirement will generally be tested no sooner than 45 days after you become a member of Division 8. If your account balance is below \$5,000 at that time, 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 you will need to contact the ERF about your benefit. Please note that the conditions, fees and investment strategy of the ERF will be different from those of Qantas Super.

Here are the contact details for Qantas Super's nominated ERF:

The AUSfund Administrator  
PO Box 543  
Carlton South VIC 3053  
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; or
- 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 from the requirement to provide an exit statement, you may not receive 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.

## Other important information (continued)

### Our service providers

The Trustee appoints a number of service providers to assist in the management of Qantas Super. In 2013/2014, our key service providers were:

**Actuary**

Tony Miller, BSc (Hons), FIAA

**Administrator (until**

**31 December 2013)**

Russell Employee Benefits Pty Ltd  
ABN 70 099 865 013

**Administrator (from 1 July 2013  
for Gateway, otherwise from  
1 January 2014)**

Mercer Outsourcing (Australia)  
Pty Ltd ABN 83 068 908 912  
AFSL #411980

**External auditor**

PricewaterhouseCoopers  
ABN 52 780 433 757

**Insurance provider**

MLC Limited ABN 90 000 000 402  
AFSL 230694

**Internal auditor**

KPMG ABN 51 194 660 183

**Investment managers**

See page 28

**Master custodian**

JPMorgan Chase Bank, N.A.  
(Sydney Branch) ABN 43 074 112 011

## 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

Qantas Superannuation Limited ('we', 'us' or 'our'), as trustee of the Qantas Superannuation Plan (Qantas Super), 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

We collect personal information about you so that we 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, we also collect personal information about you from your employer.

### Consequences if the information is not collected

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

## Other important information (continued)

If you do not provide your tax file number (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

We 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 us in relation to your membership of Qantas Super. The administrator of Qantas Super may disclose personal information to service providers in India and other countries outside of Australia. Any such disclosure will only be made for the purposes of the management and administration of Qantas Super, and the use of personal information is strictly controlled. We may also disclose your personal information to regulatory bodies such as the Australian Taxation Office, where this is required by law.

### Our Privacy Policy

Our Privacy Policy sets out our 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. Our Privacy Policy contains information about how you can do this. Our Privacy Policy also contains information about how you can make a complaint about a breach of privacy. The Privacy Policy is available by visiting [www.qantassuper.com.au](http://www.qantassuper.com.au).

### Marketing

We 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 Qantas Super's administrator provided in the next column. More information is in our Privacy Policy which is available by visiting [www.qantassuper.com.au](http://www.qantassuper.com.au).

### Trustee contact details

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

### Administrator contact details

The Privacy Officer  
Mercer Outsourcing (Australia) Limited  
GPO Box 4303  
Melbourne VIC 3001  
Phone: 1300 362 967

For the Administrator's  
Privacy Policy, please go to  
[www.mercer.com.au/privacy](http://www.mercer.com.au/privacy)

## 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 or other disclosure 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



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



**Fax** +61 3 9245 5827



**Postal address** Qantas Superannuation Plan  
GPO Box 4303, Melbourne VIC 3001



**www.qantassuper.com.au**