Tabled by: Mr J-P Langbroek MP, Member for Surfers Paradise
At: FAC Estimates Hearing
Date: 18 August 2015
Signature:

1 Summary and recommendations

This investigation has revealed that the *economic* value of QSuper's accrued liabilities exceeded the fund assets by $25.50 billion[1] as at 30 June 2013. This represents the amount (based on the accounting valuation assumptions in Appendix C) at the investigation date of the statutory guarantee provided by the Queensland Government (the *State*) in respect of its accrued defined benefit obligations. This guarantee forms the basis for QSuper being exempt from the funding and solvency requirements of the Superannuation Industry (Supervision) Act 1993.

However, the State makes advance provision for its employee entitlement liabilities by accumulating investment assets in a reserve (the *Employer Fund*). Consistent with past practice and the stated and practised position of successive Governments over many years, the assets of the Employer Fund have been assumed to be available exclusively for that purpose. Consequently, this report has taken into account both the assets in the QSuper fund and the Employer Fund in order to provide a more comprehensive understanding of the overall funding of the scheme.

After inclusion of the Employer Fund, the assets exceeded accrued liabilities by $5.95 billion as at 30 June 2013. This compares with the $1.4 billion surplus disclosed at the 2010 valuation and is primarily the result of strong investment returns since the last review. Indeed, the return since the valuation date has been even stronger, substantially as a result of the sale of QML and consequently the funding position is expected to improve even further.

Taking into account future service, the actuarial surplus represents approximately 17.5% of the total asset value. I recommend that this surplus be carried forward and that, whilst there is considerable flexibility due to the strong funding position, the existing contribution rates (i.e. those listed in Table 27 and Table 28) be retained, since:

- the surplus will provide a buffer against adverse investment returns;
- consistency with the contribution rates in the Accumulation plan will be maintained;
- stability in budgeted contribution rates for employers is beneficial; and
- the more stringent solvency position recognised in the Government's financial statements showed an actuarial deficit at the valuation date, although this is expected to be broadly offset by subsequent strong investment returns.

The Superannuation (State Public Sector) Deed 1990 (the *Deed*) incorporates a general provision allowing the QSuper Board of Trustees to decide, on the advice of the Actuary, the State's contributions to the QSuper fund to meet benefit payments. Accordingly, I have recommended the following funding arrangements to meet the State's share of the defined benefit liabilities:

---

[1] The previous investigation showed this figure as $20.3 billion, based on the *funding* basis. The corresponding value on the funding basis at this review is $19.30 billion.