

About leaving service benefits

INFORMATION FOR MEMBERS WHO JOINED THE DEFINED BENEFIT DIVISION BEFORE 1 JANUARY 2015

If you're a Defined Benefit Division (DBD), your benefit is largely determined by a formula. Part of this formula changed for benefits that accrue from 1 January 2015. As a result, most DBD members who joined before 1 January 2015 will have their leaving service benefit calculated using an updated formula.

About the DBD

If you're a DBD member, your defined benefit (DB) component is primarily determined by a formula that takes into account your age, how long you've been employed, how much you've contributed, your employment status and salary. Any accumulation component you may have is added to your DB component to form your total super benefit.

What's changed?

On 1 January 2015, we changed the way *benefit salary*—part of the DB formula—is calculated. See overleaf how *benefit salary* fits into the DB formula.

For DBD members who joined before 1 January 2015, leaving service benefits will be calculated using the updated formula, which will have two components: one component for employment before 1 January 2015, and another component for employment from 1 January 2015.

The only difference between the two components is the way *benefit salary* is calculated.

What this fact sheet covers

How leaving service benefits will be calculated for members who joined the DBD before 1 January 2015.

This fact sheet should be read in conjunction with the *Defined Benefit and Accumulation 2 Product Disclosure Statement (PDS)*, available at unisuper.com.au/pds.

Who is this fact sheet for?

Members who joined the DBD before 1 January 2015 and want to know how the Defined Benefit (DB) formula will work when their leaving service benefit is calculated.

This fact sheet doesn't apply to members who transferred to UniSuper from the Walter and Eliza Hall Institute of Medical Research superannuation fund.

Important definitions

The 'Important definitions' section at the end of this fact sheet explains the meaning of certain important terms which appear in *italics* throughout.

Benefit salary before 1 January 2015

For employment **before** 1 January 2015, your *benefit salary* will be calculated as your average equivalent full-time salary, indexed by the Consumer Price Index (CPI), over the last **three years** of your employment before your benefit is calculated. We refer to this *benefit salary* as 'three-year *benefit salary*'.

Benefit salary from 1 January 2015

For employment **from** 1 January 2015, your *benefit salary* will be calculated as your average equivalent full-time salary, not indexed by the CPI, over the last five years of employment before your benefit is calculated. We refer to this *benefit salary* as 'five-year *benefit salary*'.

See the 'Important definitions' for a full definition of *benefit salary*.

Leaving service benefit

Lump sum benefits for leaving service will be calculated using the formula below. See overleaf for examples of how the formula applies in different scenarios. Your leaving service benefit will include the balance (if any) of your accumulation component, including investment returns (which may be positive or negative) less any fees, costs, charges and taxes.

WEREN'T EMPLOYED ON 1 JANUARY 2015?

- If you weren't employed on 1 January 2015 but you recommence contributing to the DBD after 1 January 2015, your five-year *benefit salary* will apply to the employment you started after 1 January 2015.
- If you qualified for an inbuilt temporary incapacity benefit before 1 January 2015 and don't subsequently commence an inbuilt disablement benefit or retire, five-year *benefit salary* will apply from 1 January 2015.

DB LEAVING SERVICE FORMULA

The DB formula for a lump sum benefit on or after 1 January 2015 is:

$$\begin{array}{cccccc}
 \text{THREE-YEAR} & \times & \text{BENEFIT SERVICE} & \times & \text{LUMP SUM} & \times & \text{AVERAGE} & \times & \text{AVERAGE} \\
 \text{BENEFIT SALARY} & & \text{BEFORE 1 JAN 2015} & & \text{FACTOR} & & \text{SERVICE} & & \text{CONTRIBUTION} \\
 & & & & & & \text{FRACTION} & & \text{FACTOR} \\
 \hline
 & & & + & & & & & \\
 \hline
 \text{FIVE-YEAR} & \times & \text{BENEFIT SERVICE} & \times & \text{LUMP SUM} & \times & \text{AVERAGE} & \times & \text{AVERAGE} \\
 \text{BENEFIT SALARY} & & \text{FROM 1 JAN 2015} & & \text{FACTOR} & & \text{SERVICE} & & \text{CONTRIBUTION} \\
 & & & & & & \text{FRACTION} & & \text{FACTOR}
 \end{array}$$

These terms are defined in the 'Important definitions' section.

If you joined the DBD before 1 January 2002, other calculations may apply to your leaving service formula. For more information, refer to your most recent Benefit statement or call us on **1800 331 685**.

Important

If you were a DBD member before 1 January 2015, the change to *benefit salary* will most likely affect the way your inbuilt benefits (for death, disablement, temporary incapacity and terminal medical condition), are calculated.

You may also be entitled to a continued inbuilt benefit if you die, suffer disablement or temporary incapacity or are diagnosed with a terminal medical condition within 90 days of ceasing employment or otherwise cease to be eligible for DBD membership. See the *DBD and Accumulation 2 PDS*—available at unisuper.com.au/pds—for more information.

Example: Dave's leaving service benefit

Dave is 50 years old and decides to resign on 1 January 2019. He's been a UniSuper member for 11 years and was receiving 17% employer contributions, with 14% paid into his DB component and 3% to his accumulation component. His three-year *benefit salary* is \$100,000 and his five-year *benefit salary* is \$95,000. Dave's leaving service benefit will be the sum of his DB component and his accumulation component.

SCENARIO 1: CONTINUOUS FULL-TIME EMPLOYMENT AND 7% (AFTER-TAX) DEFAULT MEMBER CONTRIBUTIONS

Because Dave worked full-time with the same employer, his *average service fraction* is 100%. He always made 7% (after-tax) default member contributions, so his *average contribution factor* is 100%. He also has \$30,000 in his accumulation component.

Dave's DB component is:

THREE-YEAR BENEFIT SALARY	×	BENEFIT SERVICE BEFORE 1 JAN 2015	×	LUMP SUM FACTOR	×	AVERAGE SERVICE FACTOR	×	AVERAGE CONTRIBUTION FACTOR
\$100,000		7		20%		100%		100%
+								
FIVE-YEAR BENEFIT SALARY	×	BENEFIT SERVICE FROM 1 JAN 2015	×	LUMP SUM FACTOR	×	AVERAGE SERVICE FACTOR	×	AVERAGE CONTRIBUTION FACTOR
\$95,000		4		20%		100%		100%
=								
\$216,000								

So, Dave's leaving service benefit is:

DEFINED BENEFIT COMPONENT	×	ACCUMULATION COMPONENT	×	TOTAL LEAVING BENEFIT SERVICE
\$216,000		\$30,000		\$246,000

Example: Dave's leaving service benefit – continued

SCENARIO 2: A PERIOD OF UNPAID LEAVE

If Dave had taken unpaid leave, his average service fraction (ASF) would be less than 100% and his leaving service benefit would be different. For the purpose of this example, let's assume he took two years of unpaid leave and has an accumulation component of \$25,000 (reducing his contributions would also lower his accumulation component).

In this case, Dave's ASF would be calculated as follows:

$$\left(\begin{array}{cc} \text{YEARS AT 100\% SERVICE FRACTION} & + \\ \text{YEARS AT 0\% SERVICE FRACTION} & \end{array} \right) \div \text{YEARS OF MEMBERSHIP} = \text{AVERAGE SERVICE FACTOR}$$

$$\left(\begin{array}{cc} 9 \times 100\% & 2 \times 0\% \end{array} \right) \div 11 = 81.82\%$$

Dave's DB component would be:

THREE-YEAR BENEFIT SALARY	×	BENEFIT SERVICE BEFORE 1 JAN 2015	×	LUMP SUM FACTOR	×	AVERAGE SERVICE FACTOR	×	AVERAGE CONTRIBUTION FACTOR
\$100,000		7		20%		81.82%		100%
+								
FIVE-YEAR BENEFIT SALARY	×	BENEFIT SERVICE FROM 1 JAN 2015	×	LUMP SUM FACTOR	×	AVERAGE SERVICE FACTOR	×	AVERAGE CONTRIBUTION FACTOR
\$95,000		4		20%		81.82%		100%
=								
\$176,731								

So, Dave's leaving service benefit is:

DEFINED BENEFIT COMPONENT	×	ACCUMULATION COMPONENT	×	TOTAL LEAVING BENEFIT SERVICE
\$176,731		\$25,000		\$201,731

Example: Dave's leaving service benefit – continued

SCENARIO 3: REDUCED DEFAULT MEMBER CONTRIBUTIONS

If, after eight years, Dave reduced his 7% after-tax default member contributions to 3%, his average contribution factor (ACF) would be less than 100%. Let's assume Dave has an accumulation component of \$29,000, as reducing his contributions would lower his accumulation component.

3% after-tax member contributions have a contribution factor of 91.7%, so in this case, Dave's ACF would be calculated as follows:

$$\left(\begin{array}{l} \text{YEARS AT 100\%} \\ \text{SERVICE FRACTION} \end{array} \right) + \left(\begin{array}{l} \text{YEARS AT 0\%} \\ \text{SERVICE FRACTION} \end{array} \right) \div \begin{array}{l} \text{YEARS OF} \\ \text{MEMBERSHIP} \end{array} = \begin{array}{l} \text{AVERAGE} \\ \text{SERVICE FACTOR} \end{array}$$

$$\left(\begin{array}{l} 8 \times 100\% \\ 3 \times 91.7\% \end{array} \right) \div 11 = 97.74\%$$

Dave's DB component would be:

THREE-YEAR BENEFIT SALARY	×	BENEFIT SERVICE BEFORE 1 JAN 2015	×	LUMP SUM FACTOR	×	AVERAGE SERVICE FACTOR	×	AVERAGE CONTRIBUTION FACTOR
\$100,000		7		20%		100%		97.74%
+								
FIVE-YEAR BENEFIT SALARY	×	BENEFIT SERVICE FROM 1 JAN 2015	×	LUMP SUM FACTOR	×	AVERAGE SERVICE FACTOR	×	AVERAGE CONTRIBUTION FACTOR
\$95,000		4		20%		100%		97.74%
=								
\$211,118								

So, Dave's leaving service benefit is:

DEFINED BENEFIT COMPONENT	×	ACCUMULATION COMPONENT	×	TOTAL LEAVING BENEFIT SERVICE
\$211,118		\$29,000		\$240,118

Important definitions

AVERAGE CONTRIBUTION FACTOR (ACF)

This is the level of member contributions you make and the period of time you contribute at various levels. If you always make the default 7% member contributions, your ACF is 100%.

Reducing your default member contributions will generally decrease your ACF.

AVERAGE SERVICE FRACTION (ASF)

This refers to how much of your DBD membership has been spent in full-time employment. It's calculated by averaging all of your service fractions over your period of benefit service with a UniSuper participating employer. For example, if you always worked full-time with your UniSuper employer(s), your ASF is 100%. However, any breaks in employment will reduce your ASF. Typical breaks in employment include the time between ceasing one job and starting another, periods of leave without pay, periods of part-time work and half-contributions. Breaks in employment are calculated in days and include weekends.

BENEFIT SALARY

From 1 January 2015, the *benefit salary* is generally calculated as follows:

- three-year *benefit salary* applies to your retirement and leaving service benefits for DBD membership before 1 January 2015; and
- five-year *benefit salary* applies to your retirement and leaving service benefits for DBD membership on and after 1 January 2015.

The 'three-year *benefit salary*' is the average of your annual equivalent full-time indexed (by CPI) salary as a contributing member over your last three years of employment with a UniSuper employer(s), before your benefit is calculated. If you've worked for less than three years, it's averaged over the time you've been employed as a contributing member.

The 'five-year *benefit salary*' is the average of your annual equivalent full-time salary (not indexed) as a contributing member over your last five years of employment with a UniSuper employer(s), before your benefit is calculated. If you've worked for less than five years, it's averaged over the time you've been employed as a contributing member. The five-year *benefit salary* is subject to a maximum of the three-year *benefit salary*.

BENEFIT SERVICE

Your period of service covers the years and days of your DBD membership as a contributing member.

If you die before age 60, your benefit service will also include the period from the date of your death to what would've been your 60th birthday. If you suffer disablement, your benefit service covers the period (years and days) from the date of your disablement up to age 65.

CONTRIBUTION FACTORS

Contribution factors are applied on a time-weighted basis in the DBD calculation—see the definition of average contribution factor. If you reduce your default member contributions, the final benefit you receive will generally also reduce. This reduction to your defined benefit entitlement will be calculated by adjustments to your average contribution factor.

IF YOU RECEIVE 17% EMPLOYER CONTRIBUTIONS AND MAKE AFTER TAX DEFAULT MEMBER CONTRIBUTIONS OF	YOUR CONTRIBUTION FACTOR WILL BE
0%	74.5%
1%	80.2%
2%	86.0%
3%	91.7%
4%	97.4%
4.45%	100%
7%	100%

IF YOU RECEIVE 14% EMPLOYER CONTRIBUTIONS AND MAKE AFTER TAX DEFAULT MEMBER CONTRIBUTIONS OF	YOUR CONTRIBUTION FACTOR WILL BE
2.55%	74.5%
3.55%	80.2%
4.55%	86.0%
5.55%	91.7%
6.55%	97.4%
7%	100%

LUMP SUM FACTOR

Your lump sum factor is determined by your age, as shown in the following table.

AGE WHEN YOU RETIRE OR LEAVE	LUMP SUM FACTOR (%)
40 or under	18.0
41	18.2
42	18.4
43	18.6
44	18.8
45	19.0
46	19.2
47	19.4
48	19.6
49	19.8
50	20.0
51	20.2
52	20.4
53	20.6
54	20.8
55	21.0
56	21.2
57	21.4
58	21.6
59	21.8
60	22.0
61	22.2
62	22.4
63	22.6
64	22.8
65 and over	23.0

SERVICE FRACTION

Refers to how much of your DBD membership has been spent in full-time employment.

This information is of a general nature only and includes general advice. It has been prepared without taking into account your individual objectives, financial situation or needs. Before making any decision in relation to your UniSuper membership, you should consider your personal circumstances, the relevant product disclosure statement for your membership category and whether to consult a licensed financial adviser. This information is current as at November 2021 and is based on our understanding of legislation at that date. Information is subject to change. To the extent that this fact sheet contains information which is inconsistent with the UniSuper Trust Deed and Regulations (together the Trust Deed), the Trust Deed will prevail. Issued by: UniSuper Management Pty Ltd ABN 91 006 961 799, AFSL No. 235907 on behalf of UniSuper Limited the trustee of UniSuper, Level 1, 385 Bourke Street, Melbourne Vic 3000.

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