UniSuper



UniSuper's Defined Benefit Division explained

July 2025

This booklet summarises how the Defined Benefit Division (DBD) works. It covers some of the membership advantages and risks. For more information, read the relevant product disclosure statement at **unisuper.com.au/pds**.

What is the Defined Benefit Division?

The Defined Benefit Division (DBD) is backed by a $36 billion[1] asset pool invested across a range of asset classes including shares, property, infrastructure, bonds and cash. Most DBD members' contributions are invested in this DBD asset pool. The remaining portion is usually allocated to the member's accumulation component and can be invested in up to 16 investment options. Final member benefits are the total of both the defined benefit component and the accumulation component.

The defined benefit component is determined by an employment-based formula (see page 5) that isn't directly affected by the DBD's investment performance. This is different to how accumulation[2] funds work where accounts are directly impacted by the investment performance of the investment option(s) in which an accumulation member invests their account balance.

DBD members can have a combined contribution rate of up to 24% of their salary. This 24% is made up of the contributions shown below. The employer contribution rate is much higher than the 12% rate required under the Government's Superannuation Guarantee legislation—that most Australian employees receive.

[1] Approximate as at 31 December 2024
[2] An accumulation fund typically comprises member and employer contributions, investment returns (positive or negative), less fees, costs, insurance premiums and taxes.

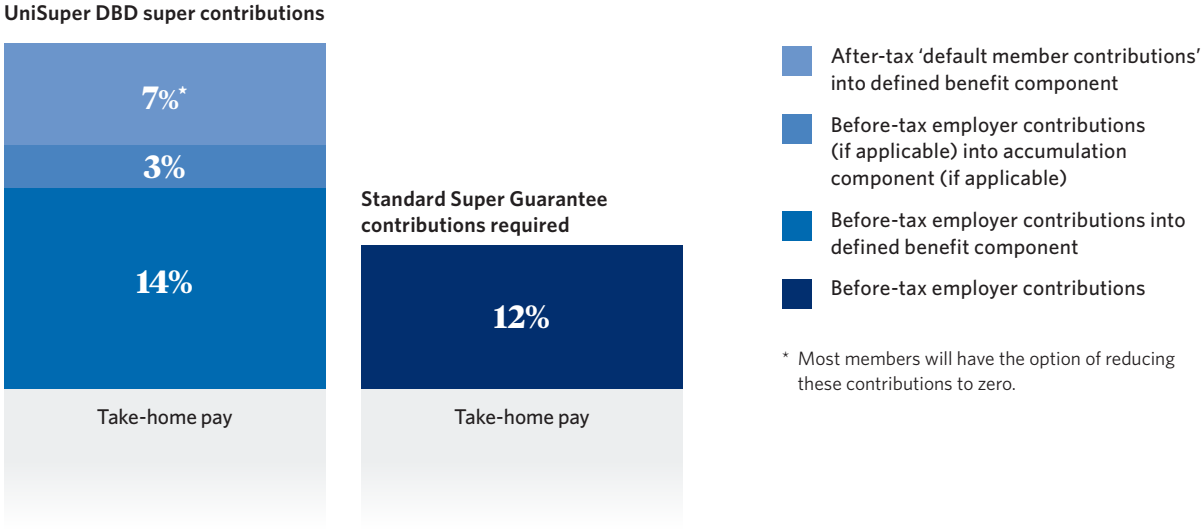
DBD overview

Over four decades, and many economic cycles, no DBD member has had any reduction to their accrued benefit. Even after the Global Financial Crisis (GFC), benefits accrued by members have not been impacted. Many Australians have not been so fortunate.

An employment-based formula is likely to provide a greater degree of certainty about members' benefits at retirement than would be provided by an accumulation arrangement where members are directly exposed to investment market performance.

The DBD's benefits are provided via a portfolio of pooled assets which are professionally managed. A large number of members are in the DBD for a long time, remaining entitled to its many benefits.

UNISUPER'S STANDARD DBD CONTRIBUTION RATE VS THE STANDARD SUPER GUARANTEE RATE



Find out more

For an example of how the DBD provided protection to DBD members from the impact of the Global Financial Crisis (GFC), see our case study on pages 6 to 7.

Who can join the DBD?

Generally, a member's employment contract will determine whether they're entitled to join the DBD.

Within their first two years of DBD membership, members can choose to stay in the DBD or move to an accumulation-style benefit. During this time, we provide members with tools and seminars to assist in making this important decision.

You can easily identify your nominated membership category by referring to your benefit statement, your online account or welcome letter.

If you'd like more information, call us on 1800 331 685.

Advantages of being a DBD member



GREATER PROTECTION FROM MARKET DOWNTURNS

With the pooling of assets across the membership, the DBD provides benefits that are not directly subject to volatile market movements



SALARY LINKED BENEFITS

These provide members with an increased ability to more effectively estimate their benefit at retirement



TRANSFERABLE MEMBERSHIP

Membership is transferable to many other universities and research employers



GENEROUS TAX RULES

These apply on contributions, particularly for those who joined before May 2009



STEADY, STABLE, RELIABLE GROWTH

See case study on pages 6 and 7



INBUILT BENEFITS

In-built death and disablement benefits



STRONG FINANCIAL MANAGEMENT

This is provided through the Board and industry leading advisers



EXPERT ANALYSIS

The DBD investment strategy is managed by UniSuper experts and advisers

Managing the DBD for the long term

The DBD is backed by a $36 billion* portfolio of pooled assets, with strong financial management.

As outlined earlier, a member's individual defined benefit is not directly determined by the market performance of these assets. Instead, all contributions are invested collectively in a diversified portfolio. This pool of funds is then drawn upon to meet members' resignation, retirement, death and disablement benefits when they become payable.

Although defined benefits are not directly affected by market movements, an effective investment strategy is crucial to maximise the likelihood that DBD members' benefits will be paid into the future.

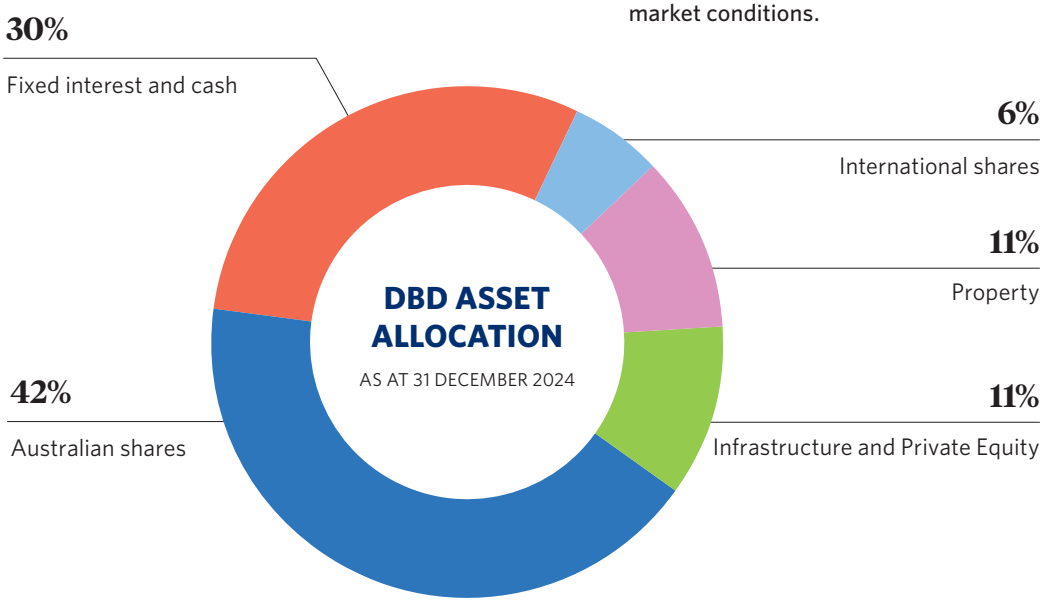
The composition of the portfolio supporting the defined benefits— for example, its mix between growth and defensive assets, and between domestic and international investments —is set by the Trustee, having regard to the need to pay out all members' benefits as they fall due.

Currently the DBD's asset portfolio is heavily skewed towards quality assets that generate sustainable income streams, with the potential for capital growth that we expect can, at least, keep pace with inflation.

The pie chart below shows the general asset allocation of the DBD portfolio as at 31 December 2024. The Australian and international shares component is largely comprised of 'blue-chip' companies that have a history of paying dividends. The Property component is largely concentrated in high quality retail and commercial assets, and infrastructure includes 'fortress' assets such as airports.

The DBD's central investment objective is to maximise the probability of generating sufficient returns to meet its future benefit payments. It is currently in a healthy position as reflected by a Vested Benefits Index (VBI) and Accrued Benefits Index (ABI) that sits comfortably above 100%.

Ideally this would allow the Trustee to adopt a more conservative investment strategy such as holding more bonds. However, while yields have risen, they are still below the returns required to satisfy the central objective. Accordingly, it is likely that the current strategy of holding a high proportion of the portfolio in high quality growth assets will continue, although actual asset allocations may deviate within forward allocation ranges depending on prevailing market conditions.



* Approximate as at 31 December 2024

How your defined benefit is calculated

For members who have reached preservation age or cease to be employed, the defined benefit is calculated using the formula below. The benefit salary in respect of membership is generally averaged over five years. Members who joined before 1998 may choose to take a lifetime pension.

BENEFIT SALARY × **BENEFIT SERVICE** × **LUMP SUM FACTOR** × **AVERAGE SERVICE FRACTION** × **AVERAGE CONTRIBUTION FACTOR**

Note: The formula above demonstrates how the member benefit is determined when a member leaves service due to retirement. Different formulae apply when members claim a temporary incapacity, disablement, terminal medical condition or death benefit.

AGE-BASED LUMP SUM FACTORS AND TIME IN THE HIGHER EDUCATION AND RESEARCH SECTOR

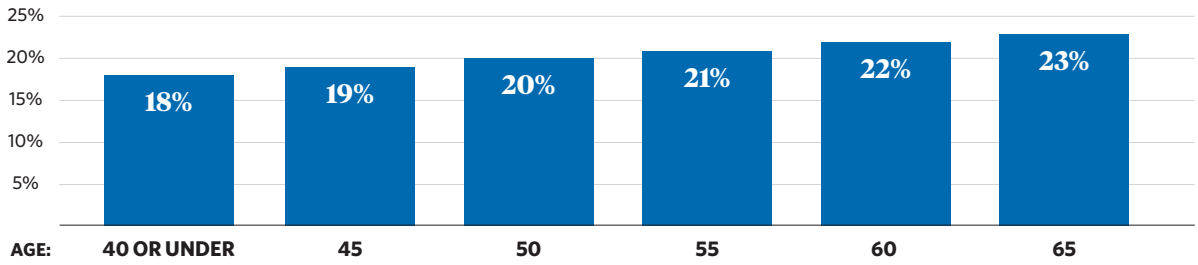
While employer contributions to the DBD are made at the same percentage of pay for most DBD members, the lump sum factor that determines a member's ultimate defined benefit increases with age.

The lump sum factor is based on the member's age when they leave the DBD (not the age at which the member joins the DBD).

The graph below shows how the lump sum factor changes as a member nears retirement age. As older members tend to have contributed for longer than younger members, the lump sum factor increases with age.

Importantly, the DBD does not require young members to remain in the DBD (subject to the two-year election window) to cross-subsidise the benefit accruals of older members.

SUPERANNUATION LUMP SUM FACTOR BY AGE



While members young and old can benefit from the many advantages of the DBD, such as having their benefits linked to their salary, the DBD generally rewards members planning a longer-term career in the sector.

DBD members can better plan their benefit at retirement with greater certainty than accumulation members (see pages 6 and 7 for more information).

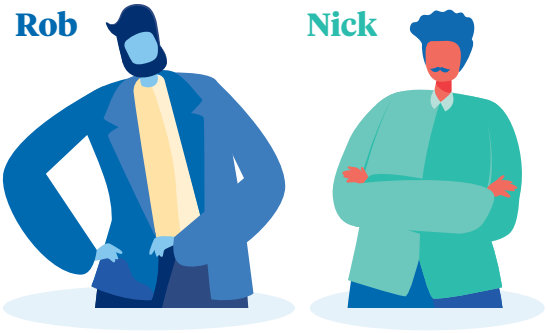
The DBD was established for permanent staff in the higher education and research sector. It's important to note that the age at which a member leaves the sector determines their lump sum—not their joining age. The member's salary and service also play a very important role.

UniSuper members can generally contribute to the DBD as long as they continue working in the higher education and research sector. DBD membership is transferable between many other university and research employers.

How the DBD provides greater certainty

One of the key advantages offered by the DBD is greater protection from the effects of poor investment market performance, as occurred during the GFC. Here we illustrate how the respective benefits of a DBD member and an Accumulation 2 member would have been impacted by investment performance over a 10-year period beginning 1 July 2007.

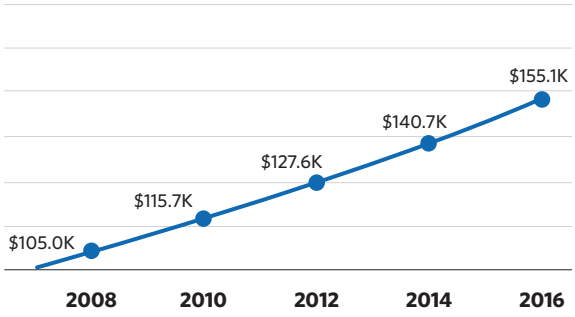
JULY 2017: ROB AND NICK ARE UNISUPER MEMBERS WITH A LOT IN COMMON.



SAME ANNUAL SALARY

$100,000

P.A. with 5% growth each year

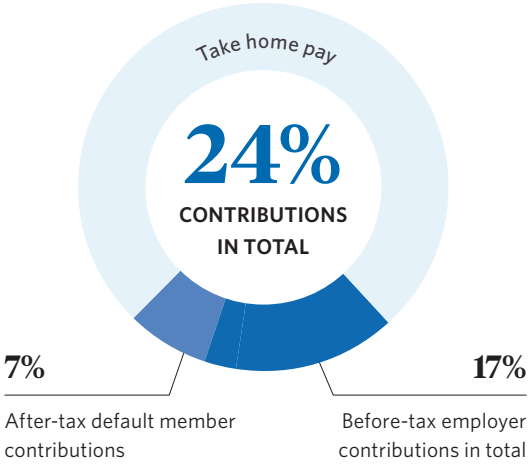


SAME AGE

45 years of age



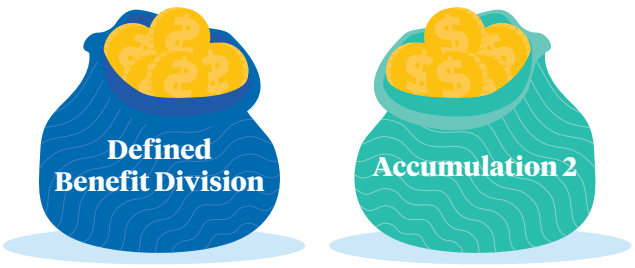
SAME SUPER CONTRIBUTIONS



SAME RETIREMENT SAVINGS



DIFFERENT PRODUCTS



Rob is a UniSuper Defined Benefit Division member of 15 years

Formula-based benefits, based on salary and years of service. The main advantage of the DBD is a cost-effective smoothing of investment returns achieved through collective risk-sharing.

Nick is an Accumulation 2 member invested in the balanced option

Market-based benefits, determined by a number of potential investment options covering a range of sectors and risk categories.

Protection and predictability

Using actual investment returns, the graph below shows two key DBD strengths when compared with an accumulation-style benefit:

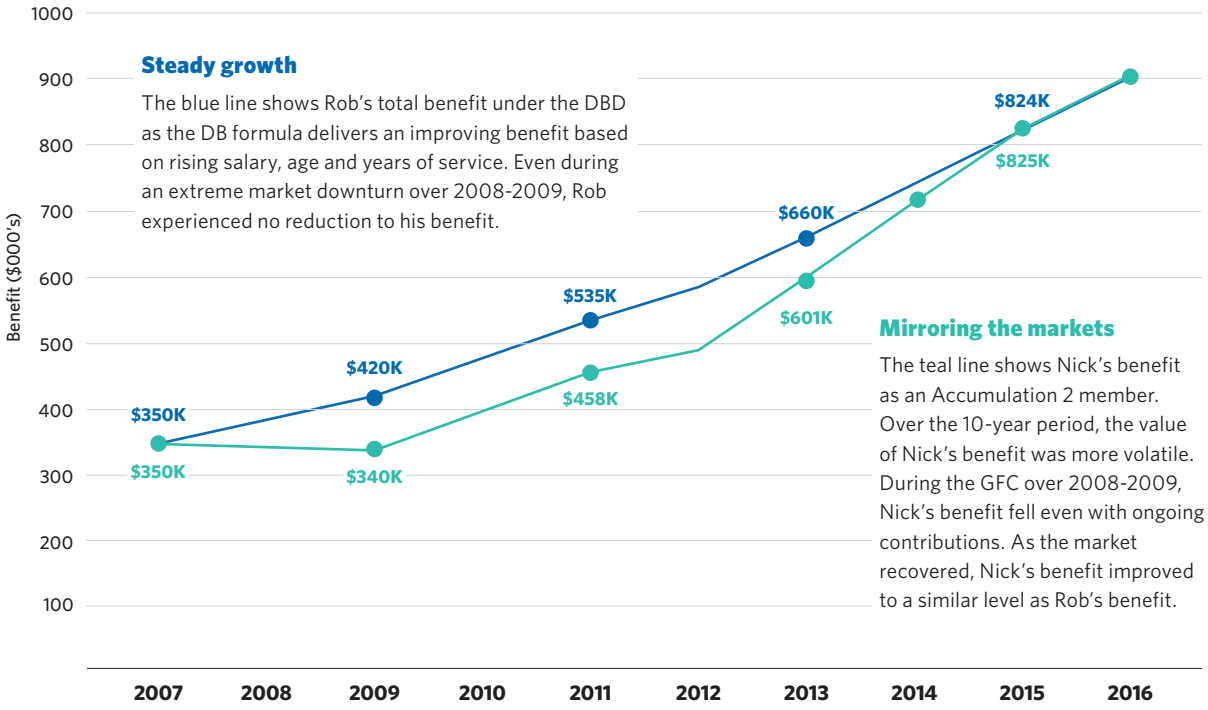
1. PROTECTION FROM INVESTMENT MARKET DOWNTURNS

With the pooling of assets across the DBD membership, the DBD can provide benefits that are not directly subject to volatile market movements. Even during the GFC, one of the worst economic downturns in recent history, defined benefits were paid in full.

2. INCREASED ABILITY TO PREDICT FUTURE BENEFITS

Unlike an accumulation arrangement, DBD members can better plan for their retirement as defined benefits are based on a salary-based formula and are not directly exposed to investment market downturns.

A 10 YEAR REVIEW OF ROB AND NICK'S BENEFITS



A 10-year period, which encompassed the GFC, has been chosen to illustrate that the DBD can provide members with a greater degree of certainty than an accumulation-style benefit, which can be quite volatile. For some members this greater certainty may be very important, particularly as they approach retirement. If we were to consider different periods, the results could be very different from those indicated above. Different results could also arise depending on the profile of the particular member (age, salary and service length) and the accumulation investment option selected.

How the DBD is monitored

UniSuper's Trustee — its Board of Directors — manages the financial position and long-term sustainability of the DBD by adhering to the Trust Deed.

The Trust Deed sets out the rules and processes the Trustee follows. Clause 34 of the Trust Deed provides a process to manage the DBD's financial position, including a mechanism to reduce benefits if necessary.

The Trustee uses two key actuarial measures to track the health of the fund; the Vested Benefits Index (VBI) and the Accrued Benefits Index (ABI). Under Clause 34, if the Actuary's Board report advises that those measures have fallen below particular levels, UniSuper must notify members and employers.

Four years after receiving this advice, if the Actuary's subsequent report advises that the fund's position has not improved sufficiently, the Trustee must consider whether it is in the interests of all DBD members to reduce defined benefits payable.

Four-year monitoring periods mean that the Trustee and the Actuary have reasonable time to monitor and assess the health of the DBD and are not compelled to make long-term decisions based on short-term investment market volatility. If benefit reductions are required, the Trustee must do this on a fair and equitable basis for all DBD members.

There is currently no monitoring period in place for the DBD. For more historical information about the DBD, see **unisuper.com.au/dbd-update**.

Key risks

While the DBD provides many advantages, like all investments, it carries some risk. As explained in the Clause 34 process opposite, there is a risk that, in some cases, your defined benefit may be reduced.

Strong financial management and excellent investment returns have ensured that the fund has paid in full the benefits of all DBD members leaving the fund, even during the GFC (see pages 6 and 7), which otherwise saw significant reductions in accumulation-style benefits.

It is important to note that funding shortfalls are not required to be covered by employers. The DBD's benefits are therefore not guaranteed to be paid. However, even without an employer guarantee, the expert management of the Fund by the Trustee should reassure members that the defined benefits may be paid as they fall due.

Two key measures used by the Trustee to monitor the DBD's financial health

VESTED BENEFITS INDEX

The Vested Benefits Index (VBI) reflects the capacity of the DBD to pay out all members' defined benefits from existing assets in the highly unlikely event that all members were to exit the DBD on the date of the calculation.

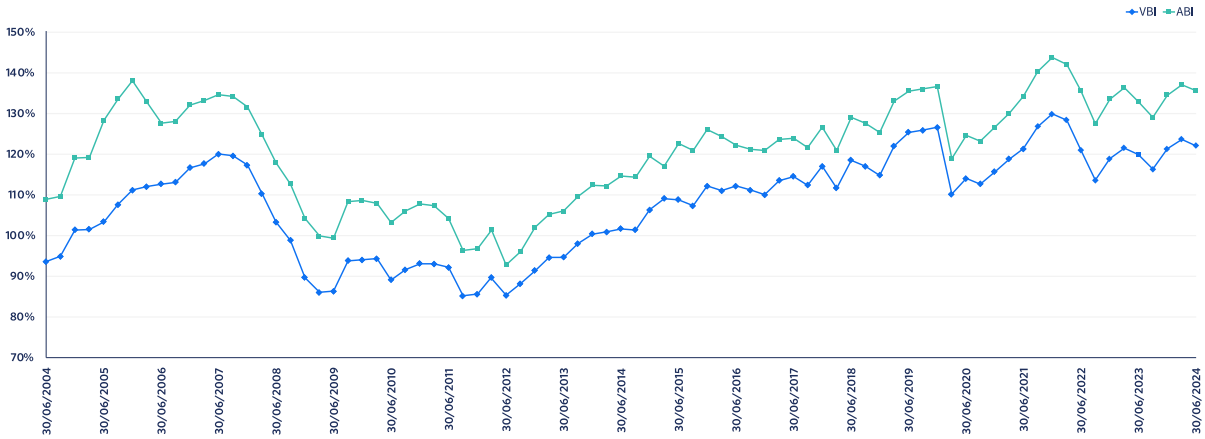
We regularly report this measure to the Australian Prudential Regulatory Authority (APRA).

ACCRUED BENEFITS INDEX

The Accrued Benefits Index (ABI) is the ratio of assets to a different measure of the DBD's liabilities.

It measures the ability of the Fund to pay, over the long term, benefits accrued to date. The ABI is the ratio of assets to liabilities, taking into account the expected rates at which members resign, die or retire from the Fund and the benefits they would receive at the time due to service at the date the ABI is calculated. Each quarter we publish an estimate of the ABI and VBI measures at **unisuper.com.au/dbd-update**.

Defined Benefit Division VBI and ABI



The above graph illustrates the history of the DBD's funding position since 2004. The ABI tends to be the more relevant index to consider as it represents the best estimate of the value of the liabilities on the more realistic assumption that not all members would leave the DBD on a single day. Both measures are based on a range of assumptions that can and do change from time to time. More information about the ABI and VBI is available at **unisuper.com.au/dbd-update**.

Why we offer the DBD

DBD members have access to an extremely valuable package of super benefits that stand out in today's complex and crowded financial services market place.

UniSuper is one of the few defined benefit funds in the country that remains open and continues to accept new members. For over 40 years, we've committed the time, resources and independent expert advice necessary to ensure strong management of the DBD and its long-term viability.

The DBD has a track record of enduring challenging economic times, in part due to pooling the $36 billion asset base across over 65,000 members*.

DBD members are regarded as defined benefit members under Australian superannuation law (this is why the fund is called the Defined Benefit Division).

* As at 31 December 2024

Who the DBD suits

The DBD is designed specifically to serve the higher education and research sector. It's generally well suited to you if you're:

- intending to pursue a reasonably long career in the sector, and
- expecting some salary growth arising from promotion or reclassification to higher roles during your career.

We recognise that the DBD may not suit everyone — including people anticipating only a short period of employment in the higher education and research sector, and those expecting little or no salary growth arising from promotion or reclassification to higher roles.

CONTACT US
1800 331 685
+61 3 8831 7901

WEBSITE
unisuper.com.au

UNISUPER ADVICE
1800 823 842
+61 3 8831 7916

ADDRESS
UniSuper
Level 1, 385 Bourke Street
Melbourne Vic 3000
Australia

Prepared by UniSuper Management Pty Ltd (ABN 91 006 961 799, AFSL No. 235907) on behalf of UniSuper Limited (ABN 54 006 027 121, AFSL No. 492806) the trustee of UniSuper (ABN 91 385 943 850).

The information contained in this booklet is of a general nature only and may include 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 (PDS) for your membership category and whether to consult a qualified financial adviser. For a copy of the PDS, go to **unisuper.com.au/pds** or call us.

UNIS0000125 0725