



UniSuper

What happens to your inbuilt benefits if you choose Accumulation 2?

The information in this document forms part of the *Defined Benefit Division and Accumulation 2 PDS* issued on 1 October 2020 and should be read together with the other important information documents which are incorporated by reference:

- *Insurance in your super*
- *How we invest your money*
- *Risks of super*
- *How super works*
- *How super is taxed.*

This document was prepared on 1 October 2020.



ABOUT THIS DOCUMENT

This document has been prepared and issued by UniSuper Limited. It includes information about how inbuilt benefits of Defined Benefit Division (DBD) members are transitioned to external insurance cover in the event that those members transfer their membership to Accumulation 2. It should be read together with the Defined Benefit Division and Accumulation 2 Product Disclosure Statement (PDS).

Information in this document may change from time to time. We'll provide updates of any changes at unisuper.com.au/pds. You can also request a paper or electronic copy of updated information without charge by calling **1800 331 685**.

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This document assumes that the taxable component of any super benefits paid to you includes only a taxed element. It also assumes you're an Australian resident for income tax purposes.

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Chant West awarded UniSuper 'Super Fund of the Year', 'Best Fund: Investments' and 'Best Fund: Advice Services' in 2019. UniSuper was also awarded 'Best Fund: Advice Services' in 2020. Our accumulation and pension products received a 5 Apples rating – the highest quality fund rating. For information about the methodology used, see www.chantwest.com.au. Chant West has consented to the inclusion of the references to Chant West and its logos in the form and the context in which they are included in this document.



SuperRatings, a superannuation research company, has awarded UniSuper a Platinum Choice rating for its accumulation and pension products, something only the 'best value for money' funds receive. Our accumulation and pension products have also achieved a 10-year Platinum Performance rating. Go to www.superratings.com.au for details of its rating criteria. The rating is issued by SuperRatings Pty Ltd ABN 95 100 192 283 AFSL 311880 (SuperRatings). Ratings are general advice only and have been prepared without taking account of your objectives, financial situation or needs. Consider your personal circumstances, read the product disclosure statement and seek independent financial advice before investing. The rating is not a recommendation to purchase, sell or hold any product. Past performance information is not indicative of future performance. Ratings are subject to change without notice and SuperRatings assumes no obligation to update. SuperRatings uses objective criteria and receives a fee for publishing awards. Visit superratings.com.au for ratings information and to access the full report. © 2020 SuperRatings. All rights reserved.

INTRODUCTION**Introduction**

One of the biggest differences between the Defined Benefit Division (DBD) and Accumulation 2 is how death, terminal medical condition (also known as terminal illness), disablement, and temporary incapacity benefits are provided to members.

This document explains how your inbuilt benefits can be transitioned to external insurance if you choose to transfer to an Accumulation 2 account and how the group insurance policies the Trustee has taken out with our Insurer will apply.

While insurance is an important differentiator between the DBD and an Accumulation 2 account, there are other differences between the two products.

You should read this document together with the:

- *Defined Benefit Division and Accumulation 2 Product Disclosure Statement (PDS)*
- *How we invest your money* document
- *Insurance in your super* document
- *How super works* document
- *Risks of super* document, and the
- *How super is taxed* document.

You can obtain a copy of the PDS and documents from [unisuper.com.au/pds](https://www.unisuper.com.au/pds) or you can request a printed copy by calling us.

A copy of the Trust Deed (including the UniSuper regulations) or a copy of the group insurance policies, which sets out the full terms and conditions under which insurance cover is provided, can be obtained on request by calling us. Where applicable, the Trust Deed and/or the group insurance policies will prevail over any inconsistent information in this document.

WHO PROVIDES INSURANCE TO UNISUPER MEMBERS?

UniSuper's external insurance cover is provided through group insurance policies the Trustee has with our Insurer. Inbuilt benefits provided to DBD members are self-insured by UniSuper and the value of the benefit is determined by a formula in the Trust Deed. For information about inbuilt benefits, refer to the *Defined Benefit Division and Accumulation 2 PDS*.

WHO SHOULD READ THIS DOCUMENT?

You should read this document if you're:

- in your first 24 months of DBD membership (whether for the first time or you've re-joined) and are deciding whether to move to an Accumulation 2 account.
- considering using your defined benefit component to start a Flexi Pension under a Transition to Retirement (TTR) strategy, as this would result in you being transferred from the DBD to an Accumulation 2 account.

We also have several other resources available to help you make your decision about whether to stay in the DBD or transfer to an Accumulation 2 account. This includes important information about the outcomes achieved by the DBD and Accumulation 2 which you can read in the *Defined Benefit Division and Accumulation 2 PDS*.

To learn more, visit the *Choosing your style of super* section at [unisuper.com.au/learning-centre/videos](https://www.unisuper.com.au/learning-centre/videos). You may also want to get advice from a qualified financial adviser to find out what style of super suits your individual objectives, financial situation and needs.

If you're considering starting a Flexi Pension – TTR, this document only describes what would happen to your inbuilt benefits if you use all or part of your DBD component to commence it. You should therefore read this document together with the *Flexi Pension PDS*, the *Defined Benefit Division and Accumulation 2 PDS* and our range of TTR fact sheets for more comprehensive information, all available on our website.

Definitions

The terms which appear in *italics* are defined in the policy documents. We've included some of the more commonly used terms in the 'Definitions' section at the end of this document.

More information about insurance

You should read the important information about the external insurance offering—including how to apply for cover, the level and type of cover available, the cost of cover, eligibility and cancellation of cover, relevant definitions and the other terms and conditions (including any exclusions that may apply and affect your entitlement to insurance cover)—before making a decision.

Go to [unisuper.com.au/pds](https://www.unisuper.com.au/pds) and download the document *Insurance in your super*. The material relating to the document *Insurance in your super* may change between the time you read this booklet and the day you acquire the product.

An overview of inbuilt benefits and external insurance at UniSuper

As a DBD member, you're generally provided with inbuilt death, terminal medical condition, temporary incapacity and disablement benefits as part of your membership.

Provided you haven't previously elected, received, or opted out of default cover, if you're eligible you'll also be automatically provided with 'default cover', which is one unit of Death and Total and Permanent Disablement (TPD) external insurance cover when you first join the DBD.

How much insurance do you need?

We understand everyone's situation is different, especially when it comes to having insurance through your super. How much insurance you need depends on your current (and future) circumstances. It's important to regularly review your insurance to ensure it meets your needs. The *Insurance needs calculator* at [unisuper.com.au/calculators](https://www.unisuper.com.au/calculators) is a good place to start.

WHAT ARE INBUILT BENEFITS?

'Inbuilt benefits' is the term used to describe benefits payable to DBD members or their beneficiaries in the event of disablement, temporary incapacity, suffering a terminal medical condition and death, which are calculated based on a formula set out in the Trust Deed. These benefits are provided by UniSuper, not by an external insurance provider. You can't cancel or change these benefits.

WHAT IS EXTERNAL INSURANCE COVER?

UniSuper offers three types of external insurance cover, with the premiums paid from your accumulation component/account:

- **Death cover** (including terminal illness) — provides a lump-sum benefit to your dependants and/or your legal representative if you die, or provides you with a lump-sum benefit if you're diagnosed with a terminal illness. Death cover ceases at age 75.
- **Total & Permanent Disablement (TPD) cover** — provides you with a lump-sum benefit if you're permanently unable to work due to illness or injury. TPD cover ceases at age 70.
- **Income Protection (IP) cover** — provides regular monthly payments if you're temporarily unable to work due to illness or injury. IP cover ceases at age 65.

The amount of insurance you could receive from each unit of cover you're eligible for depends on your age, for example Death cover ranges between \$232,000 (if you're aged between 14 and 34) and \$2,500 (if you're aged 74).

Keeping default cover

If you received default cover when you joined the DBD and you're under age 25, or have an account balance under \$6,000 when you transfer to Accumulation 2, you'll need to tell us you want to keep your cover, otherwise we'll cancel it.

However, if you've elected to receive or keep all of your cover, it will automatically transfer to Accumulation 2 regardless of your age or account balance.

If you'd like to keep your default cover when electing 'Accumulation 2' you can make this election on the *Transferring from the Defined Benefit Division to Accumulation 2* form.

For details of external insurance cover and eligibility criteria under the external insurance arrangements with our Insurer, refer to the *Insurance in your super* document. Income Protection cover isn't available to DBD members.

Transitioning to external insurance

If you transfer from the DBD to an Accumulation 2 account, your inbuilt benefits will cease from the *date of transfer*. However, you can elect to receive external insurance cover to replace your inbuilt benefits. This is called 'transitioned cover'.

If you're within your first two years as a DBD member, you can see how much Death, TPD and Income Protection cover you can receive as an Accumulation 2 member online. You can access an estimate of transitioned cover you'd be eligible to elect to receive if you transferred to an Accumulation 2 account by logging in to your online account. Navigate to the insurance section and use the 'Estimating your insurance cover if you choose Accumulation 2' quote calculator.

If you elect to receive transitioned cover, it's added to any existing external insurance cover you already have that transferred to your Accumulation 2 account, subject to eligibility criteria, terms and conditions and the Automatic Acceptance Limits (AALs).

The external transitioned insurance cover you can receive on the day you become an Accumulation 2 member will generally cover you for events occurring from that date forward and some, or all of that cover will be subject to a *pre-existing condition (PEC)* exclusion. For more information about PEC exclusions, refer to page 11.

The terms and conditions that apply to any external cover you have as a DBD member won't change when you transfer to Accumulation 2, so if you have existing restrictions, exclusions or loadings, they will continue.

Your inbuilt benefits will generally continue to cover you for events occurring before the *date of transfer* to an Accumulation 2 account, subject to eligibility under the Trust Deed.

Transitioning your inbuilt benefits to external insurance cover

Important

When you transfer to an Accumulation 2 account, your inbuilt benefits will cease, and you must elect to receive transitioned cover.

ELIGIBILITY FOR EXTERNAL INSURANCE COVER ON TRANSITION

To be eligible to receive transitioned cover, you must be eligible for inbuilt benefits. Log into your online account to see what level of inbuilt benefits you have.

Transitioned cover is subject to eligibility criteria as set out in the relevant policies, including your age. If you don't satisfy the eligibility criteria, you may not receive any external cover on transition, even if you elect it. Refer to the *Insurance in your super* document for the criteria that applies to each type of external cover, for information on how and when benefits are paid, restrictions, exclusions and the terms and conditions that may apply.

IF YOU DON'T ELECT TO RECEIVE TRANSITIONED COVER

Your DBD inbuilt benefits will cease and they won't be replaced with any Death, TPD or Income Protection cover.

If you later want cover, or wish to increase your cover, you'll need to apply. There may be limits on what you can receive and you'll need to provide evidence of your health to our Insurer. When our Insurer assesses your application, it may be accepted without conditions, declined, or accepted with special conditions such as having restrictions, exclusions or a higher premium (loadings) applied.

THE DIFFERENCE BETWEEN INBUILT BENEFITS AND EXTERNAL INSURANCE COVER

The table on the next page provides an overview of the difference between inbuilt benefits and external insurance cover for eligible DBD members transferring to an Accumulation 2 account.

TRANSITIONING YOUR INBUILT BENEFITS TO EXTERNAL INSURANCE COVER

INBUILT BENEFITS IN THE DBD	TRANSITIONED (EXTERNAL) INSURANCE COVER IN ACCUMULATION 2	WHAT DOES THIS MEAN?
<p>Death benefit up to age 60</p> <ul style="list-style-type: none"> ▪ Paid as a lump sum ▪ The benefit is calculated based on a formula 	<p>Death cover up to age 75</p> <p>Paid as a lump sum</p>	<p>If you choose to transfer to Accumulation 2 and elect to receive transitioned cover, you'd have an extra 15 years of cover.</p> <p>Generally, the value of the transitioned cover you can elect to receive would be the same or better than your inbuilt death benefit, subject to the Insurer's AAL and the terms, conditions and restrictions that apply (as detailed in the relevant Policy).</p>
<p>Disablement benefit to age 65</p> <ul style="list-style-type: none"> ▪ Paid as an income stream ▪ The benefit is calculated based on a formula <p>The time you're receiving a disablement income stream will count towards your contributing service for your defined benefit entitlements.</p>	<p>TPD cover to age 70</p> <ul style="list-style-type: none"> ▪ Paid as a lump sum instead of an income stream 	<p>Generally, if you choose to receive transitioned cover when you transfer to Accumulation 2, the level of TPD cover you receive will be equivalent to your transitioned Death cover, subject to the Insurer's AAL. It's difficult to compare a long-term income stream with a lump sum benefit, and the lump sum TPD benefit may be more or less beneficial than the inbuilt disablement benefit depending on your personal circumstances.</p> <p>External cover can provide the flexibility to increase or decrease your TPD cover or cancel it altogether to suit your personal needs.</p>
<p>Temporary incapacity</p> <ul style="list-style-type: none"> ▪ Paid as an income stream for a maximum of two years with a waiting period of 90 days <p>The time you're receiving a temporary incapacity income stream will count towards your contributing service for your defined benefit entitlements.</p>	<p>Income Protection</p> <ul style="list-style-type: none"> ▪ Paid as an income stream with a default maximum benefit period of five years and a default waiting period of 90 days ▪ External Income Protection cover may include up to 10% <i>employer super contributions</i> 	<p>If you're eligible and you choose to receive transitioned cover when you transfer to Accumulation 2, you can apply to change your default benefit period of five years to two years or to age 65, and your default waiting period of 90 days to either 30 or 60 days.</p> <p>Any increase in benefit period or decrease in waiting period will be subject to acceptance by our Insurer.</p> <p>Any change in the waiting and benefit period will result in a change to the cost of cover.</p>
<p>Cost of inbuilt benefits is allowed for in the DBD formula.</p>	<p>Cost of Death and TPD cover is based on your age and the number of units (or dollar value) of cover you have.</p> <p>Cost of Income Protection cover is based on your age, the benefit and waiting period, and the number of units of cover you have.</p> <p>The costs (premiums) can be expected to change from time to time and are deducted from your accumulation account each month.</p>	<p>There is a difference in how the cost of external insurance and inbuilt benefits are calculated and charged.</p> <p>As a DBD member, the charges for inbuilt benefits are allowed for in the DBD design and are not expected to change over time - no deductions are made for inbuilt benefits from your account balance.</p> <p>As an Accumulation 2 member, insurance premiums can be expected to change over time, and are deducted directly from your account balance each month.</p> <p>You need to ensure you have enough money in your account to pay for insurance premiums, otherwise your cover will be cancelled.</p>
<p>Cover can continue for up to 90 days after ceasing employment.</p>	<p>Cover generally continues after ceasing employment, provided you continue to meet eligibility criteria and you have sufficient account balance to cover insurance premiums when due.</p>	<p>As an Accumulation 2 member, if you're eligible, you could keep your cover after you leave your job so long as you remain a UniSuper member and have sufficient funds in your account to cover premiums when due.</p> <p>There is no benefit payable for Income Protection cover if you permanently retire from the workforce, or have no <i>pre-disability income</i>.</p>

How electing transitioned cover works

DEATH (INCLUDING TERMINAL ILLNESS) AND TPD COVER

The dollar value of your inbuilt death benefit will be calculated immediately prior to the *date of transfer* using the formula set out in the Trust Deed. If you have existing fixed external insurance cover, the value of your cover will be rounded up to the next \$1,000 and will also be fixed, otherwise transitioned cover will be unitised and rounded up to the next whole unit. This ensures members receive equivalent or better transitioned Death cover. Your TPD cover will be the same value as your transitioned Death cover, subject to the AALs.

Where transitioned cover is unitised, the difference between the dollar value of the inbuilt death benefit and the dollar value of the units provided is referred to as *uplift death cover* and *uplift TPD cover*.

Any transitioned cover will be subject to the Insurer's AALs.

The AALs for Death and TPD cover when transferring to an Accumulation 2 account is \$1.2 million. Any existing external insurance cover you may have that transfers to Accumulation 2, as well as your transitioned cover, will go towards determining if you've reached the AALs. For example, if you already have more than \$1.2 million of external Death and TPD cover with our Insurer before transferring to an Accumulation 2 account, you'll retain this cover but won't receive any further Death and TPD cover on the *date of transfer*—even if you elect to receive *transitioned cover*. You can then apply to the Insurer for additional cover but you'll be required to go through the Insurer's medical evidence process and be accepted, subject to maximum cover limits.

The inbuilt disablement benefit (an income stream to age 65) and external TPD cover (a lump sum payment) are significantly different and you should consider what is appropriate for your personal circumstances. Please call us on [1800 331 685](tel:1800331685) if you need help.

Over 60 and no longer have an inbuilt death benefit?

If you're over age 60, under the rules of the Trust Deed, you no longer have an entitlement to an inbuilt death benefit. This means if you transfer to Accumulation 2 and you elect to receive transitioned cover, you won't be provided with any transitioned Death or TPD cover (as the amount of TPD cover provided on transfer to an Accumulation 2 account is equivalent to transitioned Death cover).

However, our Insurer provides Death cover to age 75 and TPD cover to age 70. If you're eligible, you can apply for Death and/or TPD cover after you transfer to Accumulation 2. You'll need to provide health evidence as part of your application.

HOW ELECTING TRANSITIONED COVER WORKS

Example: Transitioning inbuilt death and disablement benefits to unitised external death and TPD insurance cover

John, 34, is a DBD member with one default unit of Death and TPD cover with our Insurer before transferring to an Accumulation 2 account. His account balance will be under \$6,000 when he transfers to Accumulation 2.

John wants to protect his family in the event that he dies or becomes permanently unable to work through injury or illness, so he elects to keep his default cover, and also elects to receive transitioned cover.

If John made no election to keep his default cover or receive transitioned cover, he would have no insurance when he transfers to Accumulation 2.

John's existing inbuilt benefits and insurance cover before transferring to an Accumulation 2 account:

EVENT	INBUILT BENEFITS*	EXISTING EXTERNAL INSURANCE COVER (THROUGH OUR INSURER)	TOTAL
Death	\$436,800	1 unit = \$232,000	\$668,800
Disablement^	\$4,000 per month	n/a	\$4,000 per month
TPD	n/a	1 unit = \$232,000	\$232,000

As he elected to receive transitioned cover, on the *date of transfer*, John's inbuilt death benefit will be transitioned into units:

$$\$436,800 \div \$232,000 = 1.88 \text{ units}$$

Units are then rounded up to the next whole unit so John will receive two units of Death cover, subject to the AALs.

John's inbuilt disablement benefit will cease on the *date of transfer* and in its place, he'll receive TPD cover equivalent to the value of his transitioned Death cover. This means, he'll also receive two units of transitioned TPD cover on the *date of transfer*, subject to the AALs.

On the *date of transfer*, John will have insured cover which consists of his transitioned cover of two units, plus his existing one unit of Death and TPD cover. This total insured cover is below the AALs of \$1.2 million.

John's Death and TPD insurance cover on the date of transfer:

COVER TYPE	TRANSITIONED INSURANCE COVER	+	EXISTING EXTERNAL INSURANCE COVER (THROUGH OUR INSURER)	=	TOTAL
Death	2 units = \$464,000		1 unit = \$232,000		3 units = \$696,000
TPD	2 units = \$464,000		1 unit = \$232,000		3 units = \$696,000

Inbuilt benefits are calculated using the formulas set out in the *Defined Benefit Division and Accumulation 2 PDS* and the Trust Deed.

When electing to receive transitioned cover, inbuilt temporary incapacity benefits are transitioned to Income Protection cover. See page 10 for an example.

* John commenced in the DBD after 3 January 2015, has a five-year benefit salary of \$80,000, service fraction of 100% and an average service fraction of 100%. At age 34, he has 26 years to age 60.

^ For more information about disablement benefits and how other DBD benefits are calculated while a disablement benefit is being paid, refer to the *Defined Benefit Division and Accumulation 2 PDS*.

Example: Transitioning inbuilt death and disablement benefits to fixed external death and TPD insurance cover

Bertha, 29, is a DBD member with \$200,000 of fixed Death and TPD cover with our Insurer before transferring to an Accumulation 2 account. Her account balance will be over \$6,000 when she transfers to Accumulation 2.

Bertha wants to protect her family in the event that she dies or becomes permanently unable to work through injury or illness, so she elects to receive transitioned cover. As she is over age 25 and will have an account balance of more than \$6,000 when she transfers to Accumulation 2, she will automatically keep her default Death and TPD cover.

If Bertha made no election to receive transitioned cover, she would only have her existing default Death and TPD cover when she transfers to Accumulation 2.

Bertha's existing inbuilt benefits and insurance cover before transferring to an Accumulation 2 account:

EVENT	INBUILT BENEFITS*	EXISTING EXTERNAL INSURANCE COVER (THROUGH OUR INSURER)	TOTAL
Death	\$618,450	\$200,000	\$818,450
Disablement [^]	\$4,750 per month	n/a	\$4,750 per month
TPD	n/a	\$200,000	\$200,000

On the *date of transfer*, Bertha's inbuilt death benefit will be transitioned into fixed cover.

Fixed cover is rounded up to the next \$1,000, so Bertha will receive \$619,000 of Death cover.

Bertha's inbuilt disablement benefit will cease on the *date of transfer* and in its place, she'll receive TPD cover equivalent to the value of her transitioned Death cover, which means she'll also receive \$619,000 of transitioned TPD cover on the *date of transfer*.

On the *date of transfer*, Bertha will have insured cover which consists of her transitioned cover of \$619,000 plus her existing \$200,000 of Death and TPD cover. This total insured cover is below the AALs of \$1.2 million.

Bertha's Death and TPD insurance cover on the date of transfer:

COVER TYPE	TRANSITIONED INSURANCE COVER	+	EXISTING EXTERNAL INSURANCE COVER (THROUGH OUR INSURER)	=	TOTAL
Death	\$619,000		\$200,000		\$819,000
TPD	\$619,000		\$200,000		\$819,000

Inbuilt benefits are calculated using the formulas set out in the *Defined Benefit Division and Accumulation 2 PDS* and the Trust Deed.

* Bertha commenced in the DBD after 3 January 2015, has a five-year benefit salary of \$95,000, service fraction of 100% and an average service fraction of 100%. At age 29, she has 31 years to age 60.

[^] For more information about Disablement benefits and how other DBD benefits are calculated whilst a Disablement benefit is paid, refer to the *Defined Benefit Division and Accumulation 2 PDS*.

TRANSITIONING INBUILT TEMPORARY INCAPACITY BENEFITS

Transitioning inbuilt temporary incapacity benefits

On the *date of transfer*, if you're eligible and you've elected to receive transitioned cover, inbuilt temporary incapacity benefits for members less than 64 years and 9 months will be transitioned to Income Protection cover (set out in the *Insurance in your super* document).

The maximum amount will be the lesser of:

- 34 units and
- the next highest number of units which equates to 85% (which includes super contributions of up to 10%) of the salary and service fraction that your *UniSuper employer* has reported to us immediately prior to the *date of transfer*,

for a default five-year benefit period with a default 90-day waiting period.

Check all your income sources

The transitioned cover may not be appropriate if you have multiple sources of income from employment, and may leave you under insured.

While you're receiving an inbuilt temporary incapacity benefit, your defined benefit component will continue to accrue as though employer contributions at a rate of 14% and default member contributions at a rate of 7% are being made. In comparison, external Income Protection cover only includes up to 10% *employer contributions*.

All or some of your transitioned cover will be subject to the *pre-existing condition (PEC)* exclusion. Refer to page 11 for more information about how this exclusion works.

If you're eligible, from the *date of transfer* you can change your Income Protection cover to suit your needs. You can tailor the benefit period, waiting period and level of cover or cancel your cover completely. Applying to increase the number of units or your benefit period, or to reduce your waiting period may require you to provide medical evidence to our Insurer and is subject to acceptance by our Insurer. Refer to the *Insurance in your super* document available at unisuper.com.au/pds for details.

Subject to meeting certain eligibility requirements, we'll automatically update your Income Protection cover every six months in line with any adjustments to the salary and service fraction that your *UniSuper employer* has reported to us to ensure that your cover remains up-to-date. If you choose to change your level of cover, we won't automatically update your level of income protection cover. Refer to the *Insurance in your super* document available at unisuper.com.au/pds for details. You can opt out of this process by logging into your account or visit unisuper.com.au/forms, download and complete the *Changing your insurance cover* form.

Example: Transitioning inbuilt temporary incapacity benefit to Income Protection cover

Leah's existing inbuilt benefits and insurance cover before transferring to an Accumulation 2 account:

EVENT	INBUILT BENEFITS*	EXISTING EXTERNAL INSURANCE COVER (THROUGH OUR INSURER)	TOTAL
Temporary incapacity [^]	\$4,000 per month	n/a	\$4,000 per month

Leah has a salary of \$80,000 p.a. Each unit of Income Protection provides \$433 per month cover (or \$100 per week), so 85% of her monthly salary (\$5,667) equates to 14 units when rounded up to the nearest unit.

Leah wants to protect her family in the event she becomes temporarily unable to work through injury or illness, so she elects to receive transitioned cover.

If Leah made no election to receive transitioned cover, she would not receive Income Protection cover when she transfers to Accumulation 2.

She receives 14 units of transitioned Income Protection cover which will provide a maximum monthly benefit of up to \$6,067 (14 units x \$100 x 52 weeks ÷ 12 months).

However, Leah's monthly benefit would be limited to \$5,667 (\$80,000 x 85% ÷ 12 months) as her benefit can't exceed 85% of her salary.

Leah's \$5,667 monthly benefit, including her super contribution, would be made up of the following:

Leah's transitioned monthly Income Protection cover on the date of transfer to an Accumulation 2 account:

INCOME STREAM	+	SUPER CONTRIBUTION	=	TOTAL
\$80,000 x (75% ÷ 12 months)		\$80,000 x (10% ÷ 12 months)		\$80,000 x (85% ÷ 12 months)
\$5,000		\$667		\$5,667

After commencing an Accumulation 2 account, Leah may decide to reduce her cover so her benefit is less than the maximum of 85% of her *pre-disability income*. For example, 10 units of cover provides monthly Income Protection cover of \$4,333, which is less than her transitioned monthly Income Protection cover. If Leah reduces her cover to less than 75% of her *pre-disability income*, then no amount will be paid into her super. However, if she reduces her cover to between 75% and 85% of her *pre-disability income*, then any amount above 75% may be paid into her super.

By managing her cover, Leah's cover would no longer be automatically updated each six months.

For more information on how we calculate *pre-disability income*, visit unisuper.com.au/pds and read the *Insurance in your super* document.

Inbuilt benefits are calculated using the formulas set out in the *Defined Benefit Division and Accumulation 2 PDS*.

* Leah commenced in the DBD after 3 January 2015, has a five-year benefit salary of \$80,000 and an average service fraction of 100%.

[^] For more information about temporary incapacity benefits and how other DBD benefits are calculated whilst a temporary incapacity benefit is paid, refer to the *Defined Benefit Division and Accumulation 2 PDS*.

Pre-existing condition (PEC) exclusion on transitioned cover

A pre-existing condition (PEC) exclusion will generally apply to your inbuilt benefits. This means that some or all of your inbuilt benefits won't be payable if you are claiming for an event that relates, directly or indirectly, to a condition you had when you joined or transferred to the DBD. Generally, this exclusion will cease to apply once you've completed three years of DBD membership (PEC exclusion period), however the PEC exclusion period can restart if you move out of and then back into the DBD.

If you have a PEC exclusion period remaining on your inbuilt benefits when you transfer to an Accumulation 2 account, it will continue to apply to your transitioned Death, TPD and Income Protection cover from the date you transfer and you'll be required to serve the balance of your three-year PEC exclusion period. This means no Death, TPD or Income Protection benefit will be payable during the remainder of your PEC exclusion period in relation to a pre-existing *illness* or *injury* that existed at any time prior to when you first became a DBD member.

Any existing insurance cover you may have with our Insurer won't be impacted by the transition, but if you have existing restrictions, exclusions or loadings on that cover, these will continue.

The PEC exclusion will be removed provided you're in active employment after the end of your PEC exclusion period. If you're not in *active employment* at the end of your PEC exclusion period, you must complete two consecutive months of *active employment* in order for the PEC exclusion to be removed.

Transitioned cover on a completed inbuilt PEC exclusion period

In the event that you've already completed your three-year PEC exclusion period prior to moving to an Accumulation 2 account, you'll have a 12-month PEC exclusion placed on any transitioned Income Protection cover you receive. A 12-month PEC exclusion will also be applied to any *uplift* Death and/or TPD cover you receive.

This could occur if you decide to use your defined benefit component to start a Flexi Pension - TTR and have completed your three-year PEC exclusion period.

An example of the effect of PEC exclusion on transitioned cover

Darren is 34 and has a salary of \$96,000. He joined UniSuper as a DBD member on 10 January 2020, and transfers to an Accumulation 2 account exactly 12 months later. Darren elects to receive transitioned cover and is provided with three units of transitioned Death and TPD cover—which has a value of \$696,000 on his *date of transfer*.

Darren also receives 16 units of Income Protection cover on transferring to an Accumulation 2 account. As he's been a DBD member for 12 months, he still has two-years remaining of his three year PEC period to serve on his inbuilt benefits, so upon transfer to an Accumulation 2 account, the remainder of his inbuilt benefit PEC exclusion period will apply to his transitioned cover. The outstanding PEC *exclusion* period (two years) will also apply to his 16 units of Income Protection cover.

Members who transition to fixed external Death and TPD cover are also required to complete their outstanding PEC exclusion period.

DBD MEMBER FOR 1 YEAR

Darren's PEC period on his transitioned cover on the *date of transfer* to an Accumulation 2 account:

COVER TYPE	NUMBER OF UNITS PROVIDED	PEC PERIOD APPLIED TO COVER
Death and TPD	3	2 years
Income Protection	16	2 years

Costs of inbuilt benefits versus external cover

As a DBD member, the cost for inbuilt benefits are allowed for in the defined benefit design—no deductions are made from your account balance. When inbuilt benefits are transitioned to external insurance cover, insurance premiums are deducted directly from your account balance each month. The insurance premium you pay will depend on a number of factors including your age and the amount of cover you have. Premium rate tables for external insurance cover are set out in the *Insurance in your super* document and can be expected to change over time.



HOW DO YOU MAKE CHANGES TO YOUR TRANSITIONED COVER?

How do you make changes to your transitioned cover?

You can do this by logging in to your online account or by completing the *Changing your insurance cover* form available at unisuper.com.au/forms.

If you elect to have your inbuilt benefits transition to external insurance cover, you'll be able to adjust your cover to suit your needs (if you're eligible).

You'll be able to:

- apply for the Income Protection waiting period and benefit period that best suits you
- apply for additional cover, or
- reduce or cancel part or all of your insurance cover.

Example: Cost of cover before and after transferring from the DBD to an Accumulation 2 account

Kent, 50, is a DBD member working full-time and has a salary and benefit salary of \$90,000. He has inbuilt death and disablement benefits provided by UniSuper. As the cost of inbuilt benefits is built into the DBD formula, Kent has no deduction made from his account or contributions.

EVENT	AMOUNT*	COST PER WEEK DEDUCTED FROM HIS ACCOUNT
Death	\$189,000	\$0.00 (built into the DBD design)
Disablement and temporary incapacity	\$4,500 per month ^	

* Kent commenced in the DBD after 3 January 2015, has a five-year benefit salary of \$90,000, service fraction of 100% and an average service fraction of 100%. At age 50, he has 10 years to age 60.

^ For more information about Disablement benefits and how other DBD benefits are calculated whilst a Disablement benefit is paid, refer to the *Defined Benefit Division and Accumulation 2 PDS*.

When he transfers to Accumulation 2, Kent's inbuilt death benefit will be transitioned into units. The value of a unit of external Death and TPD cover for Kent's age is \$49,000:

$$\text{\$189,000} \div \text{\$49,000} = \text{3.86 units}$$

As units are then rounded up to the next whole unit, Kent will receive four units of external Death cover. He'll receive TPD cover equivalent to the value of his transitioned Death cover, which means he'll also receive four units of transitioned TPD cover on the date he transfers to an Accumulation 2 account.

Additionally, Kent will receive Income Protection cover as follows:

$$\text{\$90,000} \times 85\% \div 52 \text{ weeks} \div \text{\$100} = \text{14.71 units}$$

As units are rounded up, Kent will receive 15 units of Income Protection cover.

EVENT	UNITS	AMOUNT	COST PER WEEK##
Death & TPD	4 units	4 x \$49,000 = \$196,000	4 x \$1.85 = \$7.40
Income Protection*	15 units	15 x \$5,200# ÷ 12 months = \$6,500 per month ^	15 x \$59.73 ÷ 52 weeks = \$17.20
Total			\$7.40 + \$17.23 = \$24.63

* 90-day waiting period and five year benefit period.

One unit of Income Protection cover equals \$100 per week or \$5,200 per year.

^ Monthly benefit paid will be limited to 85% of salary, which includes up to 10% super.

Refer to the unitised and fixed cover premium rate tables in the *Insurance in your super* document.

Definitions

ACTIVE EMPLOYMENT

For the purposes of Death and TPD cover, active employment means:

- a. for a person who is:
 - i. employed with an *employer*; the person is:
 1. actively performing or capable of actively performing all of the duties of their usual occupation with their employer on a full-time basis; or
 2. on *employer* approved leave for reasons other than *illness* and/or *injury*, and capable of performing their *usual occupation* on a *full-time basis*;
free from any limitation due to *illness* and/or *injury*; or
 - ii. unemployed or self-employed, the person is actively performing or capable of actively performing all of the duties of their usual occupation free from any limitation due to illness or injury on a fulltime basis; or
 - iii. engaged exclusively in unpaid domestic duties; the person is actively performing or capable of performing all of their unpaid domestic duties on a full time basis free from any limitation due to illness or injury; and
- b. the person is not entitled to, or receiving, income support benefits relating to *illness* or *injury* from any source including but not limited to workers' compensation benefits, statutory transport accident benefits and disability income benefits.

For the purposes of Income Protection cover, active employment means:

- a. for a person who is:
 - i. employed with an employer, the person is:
 1. actively performing or capable of actively performing all of the duties of their usual occupation with their employer on a fulltime basis; or
 2. on employer approved leave for reasons other than illness or injury, and capable of performing their usual occupation on a full-time basis;
free from any limitation due to illness and/or injury; or
 - ii. self-employed, the person is actively performing or capable of actively performing all of the duties of their usual occupation free from any limitation due to illness and/or injury on a full-time basis; and

- b. the person is not entitled to, or receiving, income support benefits relating to illness and/or injury from any source including but not limited to workers' compensation benefits, statutory transport accident benefits and disability income benefits.

DATE OF DISABILITY

For the purposes of Income Protection cover, date of disability means the date that a medical practitioner examines the *insured member* and certifies that he or she is *disabled*.

DATE OF TRANSFER

means the date your membership is transferred from DBD to Accumulation 2.

DISABLED/DISABILITY/DISABLEMENT

For the purposes of the Income Protection Cover, means *partially disabled/partial disability/partial disablement* or *totally disabled/total disability/total disablement*, as applicable.

EMPLOYER CONTRIBUTION

For the purposes of Income Protection cover, means a super contribution by an employer in respect of an *eligible member*.

GAINFUL EMPLOYMENT/GAINFULLY EMPLOYED

means employed or self-employed for gain or reward in any business, trade, profession, vocation, calling, occupation or employment.

ILLNESS

means sickness, disease or disorder.

INJURY

means bodily injury caused by violent, external and visible means.

DEFINITIONS**PARTIAL DISABILITY**

For the purposes of the Income Protection cover, means that an insured member because of *illness* or *injury*:

- a. directly before suffering partial disability suffered *total disability* continuously for a period of 14 consecutive days
- b. has been unable to return to performing all of the duties of your *usual occupation* because of that *injury* or *illness*
- c. is under the regular care of a *medical practitioner*, and is following that *medical practitioner's* advice, and
- d. earns a monthly income that is less than his/her *pre-disability* income.

PRE-DISABILITY INCOME

For the purposes of the income Protection cover, means

- a. where the *insured member* does not directly or indirectly own part of the business or practice making the *employer contributions* with respect to that *insured member*—1/12th of the *insured member's* current annual pre-tax salary excluding director's fees, commissions, overtime payments, bonuses, penalty or shift allowances, investment income, income received from deferred compensation plans, disability income policies or retirement plans or income not derived from vocational activities;
- b. where the *insured member* directly or indirectly owns part or all of the business or practice making *employer contributions* with respect to that *insured member* (e.g. self-employed persons)—1/12th of the annual share of the income of that business or practice generated by the personal exertion of the *member* (in the previous 12-month period) less their share of expenses in generating that income;
- c. where the *insured member* is not a permanent employee working 15 hours or more per week in the six months prior to the *date of disability*—the average monthly income of the member over the 12-month period immediately prior to the *date of disability*; or
- d. where the *insured member* is on leave without pay, 1/12th of the *insured member's* annual pre-tax salary prior to commencement of the leave without pay excluding director's fees, commissions, overtime payments, bonuses, penalty or shift allowances, investment income, income received from deferred compensation plans, disability income policies or retirement plans or income not derived from vocational activities;

unless the Insurer has expressly agreed otherwise.

PRE-EXISTING CONDITION (PEC)

means that the Insurer will not pay a claim that relates to an *illness* or *injury*:

- a. in respect of which, prior to the *relevant date*, the *member* or a reasonable person in their position:
 - i. was aware or was aware of symptoms related to the *illness* or *injury*; or
 - ii. should have sought advice or treatment or should have sought advice or treatment in relation to symptoms related to the *illness* or *injury* (conventional or alternative) from a medical practitioner or other allied health professional (in circumstances where a reasonable person in their position would have sought advice or treatment); or
 - iii. has had a medical consultation or been prescribed medication or therapy; and
- b. which existed, or any symptoms related to the *injury* or *illness* which existed at any time prior to the *relevant date*.

TERMINAL ILLNESS

For the purposes of Death Cover, means:

- a. two *medical practitioners* have certified in writing, that an *insured member* suffers from an *illness*, or has incurred an *injury*, that is likely to result in the death of the *insured member* within a period ('the certification period') that ends not more than 12 months after the date of the certification
- b. at least one of the registered *medical practitioners* is a specialist *medical practitioner* practicing in an area related to the *illness* or *injury* suffered by the *insured member*
- c. the *illness* or *injury* and certification referred to above occur while the member has cover under the policy,
- d. for each of the certificates, the certification period has not ended, and

the Insurer is satisfied, on medical or other evidence, that despite reasonable medical treatment, the *illness* or *injury* will lead to insured member's death within 12 months of the date of the certification.

TOTAL DISABILITY

For the purposes of Income Protection cover, means solely as a result of an *injury* or *illness*, the *insured member* is:

- a. unable to perform at least one income-producing duty of his or her occupation (which produces at least 20% of the *member's pre-disability income*); and
- b. not working in any occupation whether for reward or not for reward; and
- c. under the regular care of a *medical practitioner* and is following that *medical practitioner's* advice.

TOTAL AND PERMANENT DISABLEMENT (TPD)

means while insured by us under the *policy* the *insured member*:

- a. **unlikely to work in a suited occupation ever again**
In *our* opinion solely because of *illness* or *injury* has suffered ill-health (whether physical or mental) which makes it unlikely that the *insured member* will engage in *gainful employment* for which the *insured member* is reasonably qualified by education, training or experience and, unless condition 2.4 applies:
 - i. in respect of an *insured member* who was, at the *date of disablement*, *gainfully employed*, has been absent from *gainful employment* for six consecutive months; or
 - ii. in respect of an *insured member* other than an *insured member* referred to in (i) above, has suffered the *ill-health* for six consecutive months;

or

- b. **unlikely to perform domestic duties ever again**
Was not, at the *date of disablement*, *gainfully employed* but was, at that date, engaged in domestic duties and:
 - i. is under the care of a *medical practitioner*,
 - ii. unless condition 2.4 applies, is absent from performing domestic duties for six consecutive months; and
 - iii. in *our* opinion, solely due to *illness* or *injury*, the *insured member* is:
 1. unable to perform those domestic duties;
 2. unable to leave home unaided; and
 3. disabled to such an extent as to render the *insured member* unlikely to perform domestic duties or engage in *gainful employment* for which the *insured member* is reasonably suited by education, training or experience;

or

c. loss of limbs and/or sight

Is an *insured member* who, immediately prior to 1 July 2014, was a member.

- i. with *insured cover* for *TPD*; or
- ii. in respect of whom the in-built self-insurance arrangements in the *fund* applied in the event of disablement, whose *insured cover* for *TPD* has not been discontinued from the date of commencement of that cover and, in *our* opinion, solely because of *illness* or *injury*, has suffered the:
 1. permanent loss of the use of two *limbs*;
 2. permanent loss of total sight in both eyes; or
 3. permanent loss of the use of one *limb* and the permanent loss of total sight in an eye.

For the avoidance of doubt:

- a. paragraph (c)(ii) applies in respect of a *member* whose converted cover for *TPD* commences after 1 July 2014 who was, immediately prior to becoming entitled to *converted cover* for *TPD*, a *member* in respect of whom the inbuilt self-insurance arrangements in the *fund* applied in the event of *disablement* prior to 1 July 2014;
- b. discontinuance of cover does not include a cessation of cover which is reinstated from the date of cessation.

UNISUPER EMPLOYER

means an employer that has signed a formal agreement with the Trustee. Call us to find out if your employer is a UniSuper employer.

UPLIFT DEATH COVER

means an amount of cover equal to the difference in value between the amount of the *members' transitional death cover*, rounded up to the next full *unit*, and the amount of that *member's transitional death cover*.

UPLIFT TPD COVER

means an amount of cover equal to the difference in value between the amount of the *member's transitional TPD cover*, rounded up to the next full *unit*, and the amount of that *member's transitional TPD cover*.

DEFINITIONS

WHOLE PERSON IMPAIRMENT

means the *insured member* suffers 25% Whole Person Impairment based on the latest edition of the American Medical Association publication 'Guides to the Evaluation of Permanent Impairment', or an equivalent guide approved by the Insurer. The 'Guides to the Evaluation of Permanent Impairment' covers every body system and provides a standardised approach to determine impairment assessment using patient history, physical examination and clinical tests.

The assessment of *Whole Person Impairment* will be undertaken by the appropriate certified specialist based on the insured member attaining maximum medical recovery.

For more information, please contact us for a copy of the relevant insurance policy.

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