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 2018 and should be read in conjunction with the other important information booklets which are incorporated by reference:

- Insurance in your super
- How we invest your money
- How super is taxed, and
- More about the DBD and Accumulation 2.

This document was prepared on 1 July 2019.

Inside

About this booklet .......................... 1
Getting started .................................. 2
Transitioning your inbuilt benefits to external insurance cover 3
How the transition works ...................... 5
Income protection cover ..................... 8
Pre-existing condition exclusion on transitioned cover 10
Costs of inbuilt benefits versus external cover 10
How do you make changes to your transitioned cover? 11
Definitions .................................. 12
ABOUT THIS DOCUMENT
This booklet has been prepared and issued by UniSuper Limited as Trustee of UniSuper. It should be read in conjunction with Defined Benefit Division and Accumulation 2 PDS issued on 1 October 2018.

This document 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.

The information in this booklet is of a general nature only and does not take into account your individual objectives, financial situation or needs. You should consider the appropriateness of the information having regard to your personal circumstances and consider consulting a qualified financial adviser before making an investment decision based on information contained in this booklet.

The information in this booklet is current as at the date of publication. If changes (which aren’t materially adverse) are made to information in this booklet, updated information is available at unisuper.com.au or by calling 1800 331 685. You can request a paper or electronic copy of updated information without charge. You will be given notice of any increase in fees (except for indexation) or charges, material changes or significant events within timeframes prescribed in the relevant legislation.

UniSuper, ABN 91 385 943 850, MySuper Authorisation No. 91385943850448, is referred to as ‘UniSuper’ or ‘the Fund’. UniSuper Limited, ABN 54 006 027 121, AFSL No. 492806, is referred to as ‘USL’ or ‘the Trustee’. UniSuper Management Pty Ltd, ABN 91 006 961 799, AFSL No. 235907, is referred to as ‘UniSuper Management’ or ‘USM’. USL has delegated administration of UniSuper to USM, which is wholly owned by USL, and in its capacity as UniSuper’s Trustee. UniSuper Advice is operated by USM, which is licensed to deal in financial products and provide financial product advice.

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IMPORTANT INFORMATION
To the extent that this document contains any information which is inconsistent with the UniSuper Trust Deed and Regulations (together, the Trust Deed) and relevant insurance policies, the Trust Deed and insurance policies will prevail.

AWARD-WINNING FUND
With a string of awards and high ratings from Australia’s top ratings and research agencies, SuperRatings and Chant West, we’re one of Australia’s most award-winning super funds.

SuperRatings, a superannuation research company, has awarded UniSuper a Platinum Choice rating for its accumulation products, something only the ‘best value for money’ funds receive. Our accumulation products have also achieved a 10-year Platinum Performance rating. Go to www.superratings.com.au for details of its rating criteria. SuperRatings does not issue, sell, guarantee or underwrite this product.

In 2019, Chant West awarded UniSuper ‘Super Fund of the Year’, ‘Investments Best Fund’ and ‘Advice Services Best Fund’. Our accumulation products have received a 5 Apples rating. For information about the methodology used, see www.chantwest.com.au. Chant West has consented to the inclusion in this document of the references to Chant West and the inclusion of its logos in the form and context in which they are included.
What happens to your inbuilt benefits if you choose Accumulation 2?

**About this booklet**

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 booklet explains how your inbuilt benefits will be transitioned to external insurance if you choose to transfer from the DBD to an Accumulation 2 account and how the group insurance policies the Trustee has taken out with TAL Life Limited, ABN 70 050 109 450, AFSL No. 237848 (referred to as our ‘Insurer’ throughout this document) will apply on transfer from the DBD to an Accumulation 2 account.

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 booklet in conjunction with the:

- Defined Benefit Division and Accumulation 2 Product Disclosure Statement (PDS)
- How we invest your money booklet
- Insurance in your super booklet
- How super is taxed booklet, and the
- More about the DBD and Accumulation 2 booklet.

You can obtain a copy of the PDS and booklets from unisuper.com.au/pds or you can request paper copies free of charge by calling us on 1800 331 685.

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 on 1800 331 685. 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?**

External insurance cover is provided to UniSuper members through group insurance policies the Trustee has taken out 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 BOOKLET?**

You should read this booklet if you’re:

- in your first 24 months of DBD membership and are deciding whether to stay in the DBD or move to an Accumulation 2 account.
- considering using your defined benefit component to purchase 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. To learn more, visit the Choosing your style of super section at unisuper.com.au/learning-centre/videos. You may also want to get advice from a qualified financial planner to find out what style of super suits your individual objectives, financial situation and needs.

If you’re considering taking a Flexi Pension under a TTR strategy, please note that this booklet only describes what would happen to your inbuilt benefits (see page 2 for the definition) if your benefits are transferred to an Accumulation 2 account and you use all or part of your DBD component to commence a TTR Flexi Pension. You should read this booklet in conjunction with the Your guide to pensions – Flexi Pension Product Disclosure Statement, the Defined Benefit Division and Accumulation 2 PDS and our range of TTR fact sheets for more comprehensive information before starting a Flexi Pension as part of a TTR strategy, all available at unisuper.com.au.

**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 booklet.
Getting started

As a DBD member, you’re provided with inbuilt death, terminal medical condition, temporary incapacity and disablement benefits as part of your membership. You’re generally also provided with one default unit of Death and Total and Permanent Disablement (TPD) external insurance cover when you first join UniSuper.

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 contain an inbuilt component which is self-insured by the Fund, not by an external insurance provider. You can’t opt out of these benefits.

WHAT IS EXTERNAL INSURANCE COVER?

Our Insurer provides external insurance cover to members through group insurance policies the Trustee has taken out. External insurance cover is designed to provide payment(s) to eligible members or their beneficiaries upon death or disablement, subject to satisfying the terms and conditions in the group insurance policies. The types of external insurance cover available to UniSuper members under the group insurance policies are:

→ Death cover,
→ Total and Permanent Disablement (TPD) cover,
→ Death and TPD cover, and
→ Income Protection cover.

Details about each type of external insurance cover are set out in the Insurance in your super booklet.

Eligible members automatically receive one unit of external Death and TPD cover on first joining UniSuper. The external cover is in addition to any inbuilt benefits members receive as a DBD member. For details of Death and TPD insurance cover and eligibility criteria under the external insurance arrangements with our Insurer, refer to the Insurance in your super booklet. Note that 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 be transitioned to external insurance cover and added to any existing external insurance cover you have through your UniSuper membership, subject to satisfying eligibility criteria, terms and conditions and the Automatic Acceptance Limits (AALs).

The external insurance cover (also referred to as ‘transitioned cover’ within this document) you 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 PECs, refer to page 10.

Any existing external 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, 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.
What happens to your inbuilt benefits if you choose Accumulation 2?

**Transferring your inbuilt benefits to external insurance cover**

**ELIGIBILITY FOR EXTERNAL INSURANCE COVER ON TRANSITION**

On the date of transfer to an Accumulation 2 account, you must be under age 60 to receive transitioned Death and TPD cover. This is because as a DBD member, if you're aged 60 or over, you no longer have inbuilt death benefits and as a result, there are no benefits to transition. The amount of TPD cover provided on transfer is equivalent to the transitioned Death cover. Therefore, if you're age 60 or over, you won't receive transitioned TPD cover.

On the date of transfer to an Accumulation 2 account, you must be under age 64 and 9 months to receive transitioned Income Protection cover.

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

**IF YOU DON’T RECEIVE TRANSITIONED COVER**

You may still be eligible for external insurance cover, even if you don’t receive transitioned cover. If you apply for cover, there may be limits on what you can receive and you'll need to provide evidence of your health and have it accepted by our Insurer.

Our Insurer offers:

- Death cover to age 75
- TPD cover to age 70, and
- Income Protection cover to age 65.

If you're receiving an inbuilt disablement benefit or an inbuilt temporary incapacity benefit, you won’t be able to transfer to an Accumulation 2 account.

**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. It’s important to remember that when you transfer to an Accumulation 2 account, your inbuilt benefits will cease and transition to external Death, TPD and Income Protection cover if you're eligible.

**Making insurance in super opt-in**

From 1 October 2019, it’s proposed that insurance within super will change. Currently, we provide you with default insurance from which you may opt out. Under the proposal, if you:

- have a balance of less than $6,000, or
- are under 25

you’ll need to opt in to death and TPD insurance. The proposal does not apply to defined benefit members.

**WHAT THIS MEANS**

The government hopes that this measure will allow members’ balances to grow faster, and protect people with low balances.

This measure forms part of the Government’s Putting Members’ Interests First Bill. It’s yet to be considered by Parliament.
What happens to your inbuilt benefits if you choose Accumulation 2?

<table>
<thead>
<tr>
<th>INBUILT BENEFITS (DBD)</th>
<th>TRANSITIONED (EXTERNAL) INSURANCE COVER (ACCUMULATION 2)</th>
<th>WHAT DOES THIS MEAN?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Death benefit up to age 60</td>
<td>Death cover up to age 75</td>
<td>If you chose to transition to an Accumulation 2 account, you’d have an extra 15 years of cover.</td>
</tr>
<tr>
<td>→ Paid as a <strong>lump sum</strong></td>
<td>→ Paid as a <strong>lump sum</strong></td>
<td>Generally, the value of your transitioned cover would be the same or better than your inbuilt death benefit, subject to the Insurer’s Automatic Acceptance Limit and the terms, conditions and restrictions that apply (as detailed in the relevant Policy).</td>
</tr>
<tr>
<td>→ The benefit is calculated based on a formula</td>
<td></td>
<td>The external cover provides flexibility to increase or decrease your TPD cover or opt out of it altogether to suit your personal needs subject to acceptance by our Insurer.</td>
</tr>
<tr>
<td>Disablement benefit to age 65</td>
<td>TPD cover to age 70</td>
<td>Generally, the level of cover will be equivalent to your transitioned Death cover, subject to the Insurer’s Automatic Acceptance Limit. While it’s difficult to compare a long-term income stream with a lump sum benefit, the lump sum TPD benefit may be more or less beneficial than the inbuilt disablement benefit depending on your personal circumstances.</td>
</tr>
<tr>
<td>→ Paid as an <strong>income stream</strong></td>
<td>→ Paid as a <strong>lump sum</strong> instead of an income stream</td>
<td>The external cover provides flexibility to increase or decrease your TPD cover or opt out of it altogether to suit your personal needs subject to acceptance by our Insurer.</td>
</tr>
<tr>
<td>→ The time you’re receiving a disablement income stream will count towards your contributing service for your defined benefit entitlements.</td>
<td></td>
<td>The external cover provides flexibility to increase or decrease your TPD cover or opt out of it altogether to suit your personal needs subject to acceptance by our Insurer.</td>
</tr>
<tr>
<td>Temporary incapacity</td>
<td>Income Protection</td>
<td>As an Accumulation 2 member, if you’re eligible, 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.</td>
</tr>
<tr>
<td>→ Paid as an <strong>income stream</strong> for a maximum of two years with a waiting period of 90 days</td>
<td>→ Paid as an <strong>income stream</strong> with a default maximum benefit period of five years and a default waiting period of 90 days</td>
<td>Any increase in benefit period or decrease in waiting period will be subject to acceptance by our Insurer.</td>
</tr>
<tr>
<td>→ The time you’re receiving a temporary incapacity income stream will count towards your contributing service for your defined benefit entitlements.</td>
<td>→ External Income Protection cover may include up to 10% employer contributions</td>
<td>Any change in the waiting and benefit period will result in a change in the cost of cover.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of inbuilt benefits is allowed for in the DBD formula.</td>
<td>Cost of Death and TPD cover is based on your <strong>age and the number of units (or dollar value) of cover you have</strong>.</td>
<td>As an Accumulation 2 member, insurance premiums are deducted directly from your account balance each month.</td>
</tr>
<tr>
<td></td>
<td>Cost of Income Protection cover is based on your <strong>age, the benefit and waiting period, and the number of units of cover you have</strong>.</td>
<td>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, have sufficient funds in your accumulation account to cover premiums and haven’t permanently retired from the workforce, regardless of whether or not you’re employed with a UniSuper employer.</td>
</tr>
<tr>
<td></td>
<td>The costs (premiums) are deducted from your accumulation account each month.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Cover can continue after ceasing employment, provided you continue to meet eligibility criteria and you have a sufficient account balance to cover insurance premiums.</td>
<td></td>
</tr>
</tbody>
</table>
What happens to your inbuilt benefits if you choose Accumulation 2?

How the transition 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. Where transitioned cover is unitised, the difference between the dollar value of the inbuilt death benefit and the dollar value of the units that are rounded up is referred to as uplift death cover.

Any transitioned cover will be subject to the Insurer’s Automatic Acceptance Limits 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, 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. You can then apply to the Insurer for the additional cover but you’ll be required to go through the Insurer’s medical evidence process and be accepted for this additional cover, subject to maximum cover limits.

If you’re eligible for external Death cover, a terminal illness benefit may be payable if you become terminally ill and our Insurer accepts your claim.

As a DBD member, if you qualify for an inbuilt disablement benefit under the Trust Deed, you’d receive an income stream to age 65 subject to meeting continuous eligibility criteria. Reductions may be applied to the income stream in some circumstances, for example, if you return to work.

If you transfer to an Accumulation 2 account and are under age 60 on the date of transfer, you’ll receive TPD cover which provides you with a lump sum payment in the event you become totally and permanently disabled. Your TPD cover will be the same value as your transitioned Death cover, subject to the AALs.

Transitioning inbuilt disablement benefits (income stream to age 65) to TPD cover (lump sum payment) is a significant change and you should consider whether this would be appropriate for your personal circumstances.

INCOME PROTECTION COVER

Your inbuilt temporary incapacity benefits will be transitioned to external Income Protection cover, subject to eligibility, and this gives you a monthly benefit for a default maximum benefit period of five years with a 90-day waiting period in the event that you’re assessed as temporarily unable to do your job because you suffer from a disability.

Reductions may be applied to Income Protection cover in some circumstances, for example, if you return to work.

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 that if you transfer to Accumulation 2, 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, because 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 (or a combination of the two) after you transfer to Accumulation 2. You’ll need to apply for cover and submit medical evidence that is accepted by our Insurer.
TRANSITIONING INBUILT DEATH AND DISABLEMENT BENEFITS TO UNITISED EXTERNAL DEATH AND TPD INSURANCE COVER: AN EXAMPLE

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.

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

<table>
<thead>
<tr>
<th>EVENT</th>
<th>INBUILT BENEFITS*</th>
<th>EXISTING EXTERNAL INSURANCE COVER (THROUGH OUR INSURER)</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Death</td>
<td>$436,800</td>
<td>1 unit = $232,000</td>
<td>$668,800</td>
</tr>
<tr>
<td>Disablement</td>
<td>$4,000 per month</td>
<td>n/a</td>
<td>$4,000 per month</td>
</tr>
<tr>
<td>TPD</td>
<td>n/a</td>
<td>1 unit = $232,000</td>
<td>$232,000</td>
</tr>
</tbody>
</table>

On the date of transfer, John’s inbuilt death benefit will be transitioned into units:

$436,800 ÷ $232,000 = 1.88 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:

<table>
<thead>
<tr>
<th>COVER TYPE</th>
<th>TRANSITIONED INSURANCE COVER</th>
<th>EXISTING EXTERNAL INSURANCE COVER (THROUGH OUR INSURER)</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Death</td>
<td>2 units = $464,000</td>
<td>1 unit = $232,000</td>
<td>3 units = $696,000</td>
</tr>
<tr>
<td>TPD</td>
<td>2 units = $464,000</td>
<td>1 unit = $232,000</td>
<td>3 units = $696,000</td>
</tr>
</tbody>
</table>

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

Inbuilt temporary incapacity benefits are transitioned to Income Protection cover. See page 9 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.
What happens to your inbuilt benefits if you choose Accumulation 2?

TRANSITIONING INBUILT DEATH AND DISABLEMENT BENEFITS TO FIXED EXTERNAL DEATH AND TPD INSURANCE COVER: AN EXAMPLE

Jonquil, 29, is a DBD member with $200,000 of fixed Death and TPD cover with our Insurer before transferring to an Accumulation 2 account.

Jonquil’s existing inbuilt benefits and insurance cover before transferring to an Accumulation 2 account:

<table>
<thead>
<tr>
<th>EVENT</th>
<th>INBUILT BENEFITS*</th>
<th>EXISTING EXTERNAL INSURANCE COVER (THROUGH OUR INSURER)</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Death</td>
<td>$618,450</td>
<td>$200,000</td>
<td>$818,450</td>
</tr>
<tr>
<td>Disablement*</td>
<td>$4,750 per month</td>
<td>n/a</td>
<td>$4,750 per month</td>
</tr>
<tr>
<td>TPD</td>
<td>n/a</td>
<td>$200,000</td>
<td>$200,000</td>
</tr>
</tbody>
</table>

On the date of transfer, Jonquil’s inbuilt death benefit will be transitioned into fixed cover:

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

Jonquil’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, Jonquil 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.

Jonquil’s Death and TPD insurance cover on the date of transfer:

<table>
<thead>
<tr>
<th>COVER TYPE</th>
<th>TRANSITIONED INSURANCE COVER</th>
<th>EXISTING EXTERNAL INSURANCE COVER (THROUGH OUR INSURER)</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Death</td>
<td>$619,000</td>
<td>$200,000</td>
<td>$819,000</td>
</tr>
<tr>
<td>TPD</td>
<td>$619,000</td>
<td>$200,000</td>
<td>$819,000</td>
</tr>
</tbody>
</table>

Note that inbuilt benefits are calculated using the formulas set out in the Defined Benefit Division and Accumulation 2 PDS and the Trust Deed.

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

**Income protection cover**

On the date of transfer, inbuilt temporary incapacity benefits for members less than 64 years and 9 months will be transitioned to Income Protection cover.

If you meet the eligibility requirements under the external policy on the date of transfer (set out in the Insurance in your super booklet), you’ll automatically be provided with Income Protection cover. 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.

The transitioned cover may not be appropriate if you have multiple sources of income from employment, and may leave you underinsured. 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 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 13 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 booklet 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 booklet available at unisuper.com.au/pds for details. You can opt out of this process by logging into your account or completing the Changing your insurance cover form, available at unisuper.com.au/forms.
What happens to your inbuilt benefits if you choose Accumulation 2?

**INCOME PROTECTION COVER: AN EXAMPLE**

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

<table>
<thead>
<tr>
<th>EVENT</th>
<th>INBUILT BENEFITS*</th>
<th>EXISTING EXTERNAL INSURANCE COVER (THROUGH OUR INSURER)</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Temporary incapacity^</td>
<td>$4,000 per month</td>
<td>n/a</td>
<td>$4,000 per month</td>
</tr>
</tbody>
</table>

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.

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:**

<table>
<thead>
<tr>
<th>INCOME STREAM</th>
<th>SUPER CONTRIBUTION</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>$80,000 x (75% ÷ 12 months)</td>
<td>$80,000 x (10% ÷ 12 months)</td>
<td>$80,000 x (85% ÷ 12 months)</td>
</tr>
<tr>
<td>$5,000</td>
<td>$667</td>
<td>$5,667</td>
</tr>
</tbody>
</table>

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 Leah with 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 Leah 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, read the Insurance in your super booklet, available at unisuper.com.au/pds.

Note that inbuilt benefits are calculated using the formulas set out in the Defined Benefit Division and Accumulation 2 PDS.

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

Pre-existing condition exclusion on transitioned cover

As a DBD member, inbuilt benefits will generally either be reduced or won’t be payable if the Trustee considers that your death, disablement, temporary incapacity or terminal medical condition arose directly or indirectly from a condition which existed at the time of joining or transferring (PEC exclusion) and you’ve completed less than three years of contributing service after joining UniSuper or transferring into the DBD from an Accumulation 1 account (PEC period).

If you have a PEC period remaining on your inbuilt benefits when you transfer to an Accumulation 2 account from the DBD, 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 period. This means no Death, TPD or Income Protection benefit will be payable during the remainder of your PEC 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 period. If you’re not in active employment at the end of your PEC 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 purchase a Flexi Pension under a TTR strategy and have completed your three-year PEC 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 2017, and transfers to an Accumulation 2 account exactly 12 months later. Darren is provided with three units of transitioned Death and TPD cover—which has a dollar 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 Darren has been a DBD member for 12 months, he still has a two-year PEC period to serve on his inbuilt benefits, so upon transferring 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.

Note: 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:

<table>
<thead>
<tr>
<th>COVER TYPE</th>
<th>NUMBER OF UNITS PROVIDED</th>
<th>PEC PERIOD APPLIED TO COVER</th>
</tr>
</thead>
<tbody>
<tr>
<td>Death and TPD</td>
<td>3</td>
<td>2 years</td>
</tr>
<tr>
<td>Income Protection</td>
<td>16</td>
<td>2 years</td>
</tr>
</tbody>
</table>

Costs of inbuilt benefits versus external cover

As a DBD member, the charges for inbuilt benefits are allowed for in your defined benefit formula—no deductions are made from your contributions or your final benefit. When inbuilt benefits are transitioned to external insurance cover, insurance premiums are deducted directly from your accumulation 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 booklet.
What happens to your inbuilt benefits if you choose Accumulation 2?

When your inbuilt benefits transition to external insurance cover with our Insurer, you’ll be able to adjust your cover to suit your needs (within the terms and conditions in the policies we have with our Insurer and acceptance by our Insurer).

How do you make changes to your transitioned cover?

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.

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

COST OF COVER BEFORE AND AFTER TRANSFERRING FROM THE DBD TO AN ACCUMULATION 2 ACCOUNT—EXAMPLE

Rupert, 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, Rupert has no deduction made from his account or contributions.

<table>
<thead>
<tr>
<th>EVENT</th>
<th>AMOUNT</th>
<th>COST PER WEEK DEDUCTED FROM HIS ACCOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Death</td>
<td>$189,000</td>
<td>$0.00</td>
</tr>
<tr>
<td>Disablement and temporary incapacity</td>
<td>$4,500 per month^</td>
<td>(built into the DBD formula)</td>
</tr>
</tbody>
</table>

^ Rupert 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, Rupert’s inbuilt death benefit will be transitioned into units. The value of a unit of external Death and TPD cover for Rupert’s age (51 next birthday) is $49,000:

$189,000 ÷ $49,000 = 3.86 units

As units are then rounded up to the next whole unit, Rupert 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, Rupert will receive Income Protection cover as follows:

$90,000 x 85% ÷ 52 weeks ÷ $100 = 14.71 units

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

<table>
<thead>
<tr>
<th>COVER TYPE</th>
<th>UNITS</th>
<th>AMOUNT</th>
<th>COST PER WEEK##</th>
</tr>
</thead>
<tbody>
<tr>
<td>Death &amp; TPD</td>
<td>4 units</td>
<td>4 x $49,000 = $196,000</td>
<td>4 x $1.85 = $7.40</td>
</tr>
<tr>
<td>Income protection*</td>
<td>15 units</td>
<td>15 x 5,200# ÷ 12 months = $6,500 per month^</td>
<td>15 x $59.73 ÷ 52 weeks = $17.23</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>$7.40 + $17.23 = $24.63</td>
<td></td>
</tr>
</tbody>
</table>

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

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

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

## Refer to the unitised and fixed cover premium rate tables in the Insurance in your super booklet.
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 full-time 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 and/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 full-time 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 superannuation 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.
**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.
What happens to your inbuilt benefits if you choose Accumulation 2?

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)

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.

or

d) 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 inbuilt 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 the Insurer’s 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 (d)(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.

Activities of daily living

means:
(a) dressing – the ability to put on and take off clothing without assistance
(b) bathing – the ability to wash or shower without assistance
(c) toileting – the ability to use the toilet including getting on and off without assistance
(d) mobility – the ability to get in or out of bed and a chair without assistance
(e) feeding – the ability to get food from a plate into the mouth without assistance, where assistance means the assistance of another person.
Date of disablement means the earlier of:
(a) in respect of an insured member to whom part (a)(i) of the TPD definition applies, the date on which the six consecutive month period of absence from gainful employment resulting in TPD began;
(b) in respect of an insured member to whom part (a)(ii) of the TPD definition applies, the date on which the six consecutive month period of ill-health began;
(c) in respect of an insured member to whom part (b) of the TPD definition applies, the date on which the insured member suffers from an inability to perform the Activities of Daily Living that results in TPD;
(d) in respect of an insured member to whom part (c) of the TPD definition applies, the date on which the six consecutive month period in which the insured member was unable to perform domestic duties and was not engaged in gainful employment began;
(e) in respect of an insured member to whom:
   (i) part (d) of the TPD definition; or
   (ii) condition 2.4.2(c) of the policy applies:
      1. the date on which the insured member suffered the permanent loss of total sight in both eyes or the loss of use of two limbs or the permanent loss of total sight in one eye and loss of use of one limb; or
      2. the date the insured member suffered the permanent loss of total sight of an eye or loss of use of a limb, having already suffered the permanent loss of total sight of an eye or loss of use of a limb.
(f) in respect of an insured member to whom condition 2.4.1 of the policy applies, the date on which the insured member suffers ill-health that results in TPD;
(g) in respect of an insured member to whom condition 2.4.2(a) of the policy applies, the date on which the insured member suffers a specific illness; or
(h) in respect of an insured member to whom condition 2.4.2(b) of the policy applies, the date on which the insured member suffers at least 25% Whole Person Impairment.

Limb means the whole hand below the wrist or whole foot below the ankle.

Permanent loss of total sight in an eye/both eyes means the complete loss of functional sight of an eye/both eyes which is permanent.

UNISUPER EMPLOYER means an employer that has signed a formal agreement with the Trustee. To find out if your employer is a UniSuper employer, call us on 1800 331 685.

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.

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.