UPFRONT
Here’s what caught our interest this month.

First, let’s take a shelfie. Stuck on what to read next? Vowed to get your money situation sorted in the new financial year? Or perhaps you’re heading to a dinner party and want to get in the loop on economic lingo. No need to hit up Goodreads or trawl bookstore rankings for your next read about money and finance—we’ve rounded up some recommendations from people at UniSuper to get you going.

The Barefoot Investor by Scott Pape
Fast becoming a cult classic in Australia, The Barefoot Investor aims to help people take control of their finances in a way that works for them. With over 438,000 copies sold in 2017 according to Nielsen BookScan, it might be worth a read.

Freakonomics by Steven D. Levitt and Stephen J. Duhner
While not technically a book just about money, this book links the un-linkable and shows that economics is, at root, the study of incentives—how people get what they want, or need, especially when other people want or need the same thing.

The Big Short: Inside the Doomsday Machine by Michael Lewis
Four outsiders in the world of high finance predict the credit and housing bubble collapse of the global financial crisis before anyone else. Worth a read for a different—some say even dark—perspective on what caused the GFC.

SMART CLOTHING
Dr Shayan Seyedin from Deakin University is currently researching practical fibre spinning strategies of novel layered nanomaterials for applications in energy storage and conversion—in short, a new type of fabric that can hold electricity just like a battery.

MUSIC AS THERAPY
Prof. Felicity Baker is the co-director of the National Music Therapy Research Unit at the Melbourne Conservatorium of Music. Work has just kicked off on her world-first study into the use of music therapy for people with dementia.

GARDEN SCIENCE
Dr Mana Saunders is an ecologist and Postdoctoral Research Fellow at the University of New England. She recently co-wrote a piece in The Conversation about the use of pesticides damaging the work of insects that actually protect crops and gardens.

the Australian Museum
Not in Sydney? No problem! Follow this account to get a glimpse into the world of Australia’s first museum.

National Geographic
A list like this one wouldn’t be complete without this honourable mention. Experience people and places through the lenses of National Geographic’s stellar photography team.

The Australian Museum
Not in Sydney? No problem! Follow this account to get a glimpse into the world of Australia’s first museum.

Our annual In-retirement seminars are coming. Come along and hear the latest UniSuper, industry and investment market news from our experts.

Go to unisuper.com.au/inretirement to find one near you and register.

Got a story? We love hearing about what you’re doing and so do our readers! Drop us a line at superinformed@unisuper.com.au if you’d like to be contacted for a member profile in the future, or to share news of your research.
**WELCOME**

The landscape in which we’re operating is changing; and so are we.

We were thrilled to be awarded Pension Fund of the Year 2018 for the second consecutive year at the Chant West Awards in May. While I appreciate that what counts most, is what you think of us, it’s always nice to be recognised within our industry for providing great value and excellent service for our members.

**ROYAL COMMISSION**

Some of the findings from the Royal Commission relating to misconduct and organisations not acting in their customers’ best interests have been terribly disappointing.

I can assure you that all of us at UniSuper aim to act in what we believe to be our members’ best interests at all times, and we aspire to conduct ourselves in line with community expectations.

Corporate governance, which many of you may not find particularly exciting, has a direct link to business performance, and has been the subject of many of the issues arising from the Royal Commission.

Strong corporate governance underpins everything we do and is also a key factor in our investment decisions. To understand how we use governance to determine which companies to invest in, please read the enclosed article ‘The importance of being earnest – investing in good governance’ featuring our Senior Investment Analyst, Sybil Dixon.

**EXPANSION TO INCLUDE FAMILY MEMBERS**

We’ve been very pleased with the steady growth of our Personal Accounts since its launch in October 2017. We pride ourselves on delivering great value and excellent service, so it’s very rewarding to see so many of you encouraging your family to join UniSuper and extending that value and service to them. Visit unisuper.com.au/personal to find out more.

**SPOTLIGHT ON INVESTMENTS**

Despite all the gloomy headlines about falling house prices, slowing credit growth—and a Royal Commission—the Australian share market staged an impressive rally over the 2017-18 financial year. Including dividends, the ASX200 (which includes the 200 largest companies) returned 13.01%—just below the US market, but above many of the markets in Europe and Asia. Read our reflections on the past financial year, including the highlights and lowlights of UniSuper’s investment performance, at unisuper.com.au/spotlight.

“Making it even easier for you—our members to access our broad range of financial advice services at your workplace, we’re excited to have opened five on-campus centres since December.”

This issue

GOVERNANCE AND INVESTING GO HAND IN HAND

Read about the ‘G’ part of ESG. Page 7.

AUSTRALIAN OF THE YEAR

Meet quantum physicist Professor Michelle Simmons. Page 12.
What are some of the areas that the Melbourne Sustainable Society Institute focuses on?
We focus on the questions of climate response and on securing sustainable and resilient cities and regions.

Our task is to generate the science and skills needed to support achievement of these ideals—a stabilised climate and sustainable cities—and to ensure that this knowledge and expertise is made available to the communities that need it, including policymakers, industry, non-government organisations (NGOs) and civil society.

What other areas of research are you currently working on?
We’ve investigated the benefits of addressing homelessness. Our research has shown that it’s far more cost effective to provide humane shelter for all than to let some people fall between the cracks.

What do you see as some of the key challenges facing Australian cities over the coming years?
The main challenge facing Australian cities over the next few years is climate change. New weather patterns are already starting to form, particularly hotter days, declining rainfall and wilder storms. Over time the threat will extend to include rising sea levels and many parts of our large coastal cities are exposed to this change.

Climate warming has grave implications for human health, biodiversity and resource security. It is frankly amazing that we aren’t giving it much higher priority in our planning for cities and settlements.

Apart from this, population growth and the absence of public resourcing to cope with this will place increasingly difficult and disruptive pressures on our cities and local communities.
What strategies would you like to see policymakers adopting to promote housing affordability in Australia?

I would like to see us end the public subsidies we provide to investor housing in a variety of costly and ineffectual ways. Indeed, these subsidies make things worse by driving up competitive cost pressures and making it harder for people to enter into home ownership. They do not stimulate the supply of affordable housing as intended or still claimed by some. We should also increase public housing to deal with the backlog of demand and mounting social stress that housing policies and systems have created to date. We also need to relieve cost pressures on renters and provide them with security of tenure—a rising proportion of Australians are tenants, but we act as if this isn’t happening.

Are you optimistic about local and global action on climate change in the wake of the 2015 Paris Agreement?

I’m ‘hopeful but not optimistic’, to adopt the approach of the renowned cultural critic Terry Eagleton. I’m not optimistic because effective response and change won’t happen without some radical shifts in political commitment, especially in Australia, and it’s hard to see this at the moment. But I’m hopeful because I think, as a species, we are pretty good at getting out of the tight corners we make for ourselves.

MY IDEAL RETIREMENT
A small sustainable house, a garden for veggies and reading, a modestly stocked cellar, and a train station nearby. Regional Victoria looks rather nice!

THE IMPORTANCE OF BEING EARNEST

When we talk about environmental, social and governance (ESG) issues and how we manage them, we often highlight our efforts in the environmental space—investing in environmentally-responsible companies, monitoring our investments’ environmental impacts, or profiling the sustainable investment options available to our members. But less is known about the ‘G’—governance—part of ESG, which in many ways is one of the most important.
We mightn’t immediately think of governance as a terribly exciting topic,” says Sybil Dixon, Senior Investment Analyst at UniSuper. “But like everything, there’s a lot more to it than meets the eye.”

Good corporate governance—which is crucial in creating and maintaining workplace culture, an equally important consideration—is a key factor in all of UniSuper’s investment decisions.

“As a fund, we like to invest in quality companies, and quality companies tend to have quality management,” Sybil says. “This tends to lead to stronger corporate culture, generally.”

“We often see a direct correlation between good corporate governance and business performance. So in the end, governance is another lens we can use to see how well a company is managing their business as a whole.”

Sybil says Australia’s relatively robust shareholder voting system allows investors like UniSuper to make their voices heard at the board level. “In Australia, the ‘two strikes’ law means a company’s board can be replaced, or ‘spilled’, if management’s remuneration proposals receive a 25% ‘no’ vote two years in a row.”

“In recent years, we’ve used our voting rights against a major Australian financial services company’s remuneration proposal,” Sybil says. “Along with other investors, this led to a ‘first strike’ being levied against the company.”

The following year, there was a significant drop in the bonus and incentive levels of key management as a result of recent poor performance, Sybil says. “This demonstrates the impact we can have in situations where we feel a company’s governance isn’t meeting our expectations.”

“We often see a direct correlation between good corporate governance and business performance. So in the end, governance is another lens we can use to see how well a company is managing their business as a whole.”

Good corporate governance—good safety and risk management practices are other excellent indicators of healthy corporate governance.

“From a UniSuper perspective, if employees of a company are having poor occupational health and safety outcomes, and we’ve invested in that company—that is unacceptable,” Sybil says.

“By engaging with companies and communicating that those kinds of risks are unacceptable, we’re able to apply pressure at the board level and make them priorities, front and centre.”

Sybil says that as a large investor, UniSuper is able to use its influence to actively drive change.

“If we’re looking to invest in industries with higher levels of OHS risks, safety is absolutely a key area for us to look at. Wellbeing and safety of staff aside, again, it’s often a good indicator of the quality of business management, and we can use our sway to help make it even better if needed.”

Sybil says that having diversity across key management levels is another area UniSuper looks at closely.

“As an investor and founding member of the Australian Council of Superannuation Investors (ACSI), we take this topic really seriously. Historically, companies with greater board and executive diversity tend to consistently outperform companies with less diverse management teams,” Sybil says.

“And diversity isn’t always just about gender. It can include different backgrounds and experiences, which we find flows through to more robust cultures and corporate governance.”

“Unisuper Chair, Ian Martin, says good corporate governance starts at home.”

“Our Board comprises individuals from diverse backgrounds, elected from academic and non-academic staff, through to employers, Vice Chancellors and unions, which we believe is healthy and helps ensure our culture is consistent with the members we ultimately work for,” Ian says.

“There are four female Directors currently on our Board, and while there’s always room to improve, the current gender mix of the Board gives a good balance, leading to more diverse governance, cultural and strategy contributions.”

Good corporate governance underpins the performance of all the companies we—and therefore, you—invest in.

Learn more about our approach to governance, as well as responsible investing more generally, at unisuper.com.au/responsible.
FIVE THINGS YOU CAN DO TO MANAGE YOUR FLEXI PENSION ONLINE

Once upon a time, before super funds moved online, many Aussies knew little about the basics of their super, how much they had—and even who it was with.

Today, it’s a different story. With online accounts, managing our super and money has never been easier.

Getting to know your super and spending more quality time understanding it can mean having an even stronger relationship with your money. Your online account is now a one-stop-shop for all your pension information. After all, your super might very well be one of your most valuable assets.

1 TAILOR YOUR REGULAR PENSION PAYMENTS
You can view your current pension payment details and update the frequency and amount of your pension payments to suit your needs at any time. There’s no need to wait for the review letter.

2 CHOOSE YOUR DRAWDOWN METHOD
Choose the order of investment options that pension payments and one-off withdrawals are drawn from. For example, you might want to draw from Cash first so your money can stay invested in another investment option for longer.

3 CHECK WHAT YOUR BALANCE IS INVESTED IN
Get a deeper insight into the holdings and asset classes you’ve invested in online. Simply log in to your account and go to ‘Your investments’ to get started.

4 MAKE A ONE-OFF WITHDRAWAL
If you need some emergency cash or would like some extra money, you can now request a one-off withdrawal online—anytime, anywhere and from any device.

5 UPDATE YOUR BANK ACCOUNT DETAILS
Updating your bank account details needn’t be a long, drawn out paper-based process—you can now log in to your account and update them instantly.
Your work has the potential to revolutionise the way many of us go about our work and our lives. How would you describe quantum physics? And what drew you to it?

Quantum physics describes how the world behaves at very small scales. When we consider the fundamental building blocks of nature—such as atoms—their behaviour is dominated by quantum rather than classical physics. By controlling matter at this scale, we have the potential to create a new form of computer called a quantum computer.

I was drawn to this problem because it combines fundamental understanding of how the world works at the atomic scale with my experience of engineering and creating new electronic devices. It’s also an important problem. Ultimately, if we’re successful, we’ll create a new computing technology that is highly beneficial for humanity.

What’s been the most unexpected or interesting finding you’ve made?

In creating the new field of atomic electronics, we’re now building electronic devices that have never been made before—enabling us to discover a whole range of unexpected effects.

For instance, we’ve engineered silicon wires as thin as four atoms wide to behave like copper for example, demonstrating that Ohm’s Law (the scientific law stating that electric current is proportional to voltage and inversely proportional to resistance) survives to the atomic scale. Every device we make is unique, and atom by atom, we’re building up a picture of the way the world behaves at the quantum level.

“Every device we make is unique, and atom by atom, we’re building up a picture of the way the world behaves at the quantum level.”

What’s one of the toughest challenges you’ve faced in your career?

One of the toughest challenges was when we first set out to make electronic devices with atomic precision.

We broke the problem into eight different stages and at that stage, the view within the scientific community was that the chances of getting through all eight stages were near impossible.

MY IDEAL RETIREMENT

I honestly can’t see myself retiring unless my body gives out! I love creating and building things as well as teaching, so those things will always be a part of me. I also aim to remain as busy and active as I am now.

That said, retirement for me would need to include some time for dancing with my husband, painting pictures, and learning to play the piano. I am also looking forward to watching my children grow old and hopefully someday having quite a few grandchildren to muck around with.
A sudden financial shock could be an unexpected health concern, financially supporting a family member through a tough time, housing repairs, or even a relationship breakdown.

A recent study by Apia Insurance has revealed that Baby Boomers’ biggest financial concern isn’t running out of money in retirement, but rather facing unexpected financial shocks. The study found that more than 50% of participants over 55 years of age said that a “sudden or unplanned financial expense” was their biggest financial concern.

A sudden financial shock could be an unexpected health concern, financially supporting a family member through a tough time, housing repairs, or even a relationship breakdown. These shocks can disrupt careful retirement planning as they may not neatly fit into any of the expenses you have budgeted for.

While these sorts of shocks can be managed when you are in full time work, it’s often much more difficult when you’re retired, on a fixed income, and your income opportunities are limited.

Apia’s head of customer value, Geoff Keogh, commenting about the study, remarked that “there’s an anxiety moving into retirement phase on the basis of your ability to come back from an unexpected fall.”

If we’re honest with ourselves, many of the financial shocks we face in retirement shouldn’t really fit into any of the expenses you have budgeted for.

While these sorts of shocks can be managed when you are in full time work, it’s often much more difficult when you’re retired, on a fixed income, and your income opportunities are limited.

Who—either in your public life or in your private life—inspires you?

In my private life, it’s easily my husband. He is optimistic, energetic and insightful. He works incredibly hard, is amazingly diligent and always surprises me. He has a unique way of looking at the world and constantly challenges my beliefs and thinking.

In my public life there are so many, but here are a few: Jagadish Chennaputi (for his unceasing hard work and sense of responsibility), Stephen Menzies (for his integrity and intelligence), and Cathy Foley (who’s a trailblazer both for women in physics and for physicists having an impact in the world).

Our solution was to combine two technologies that had previously been considered incompatible. To my delight, the approach worked much better than I had hoped, and over a period of around 10 years, we systematically solved all those eight challenges that had been predicted to block our way.

It all culminated in creating the first single atom transistor in 2012.

One way to protect yourself against these types of shocks is to allow for a buffer in your retirement plan. Alternatively, establishing a rainy day fund for unexpected expenses may be appropriate and give you peace of mind.


Written by Clare Richards
Member Care Consultant

“Super Informed” August 2018
BOND, INVESTMENT BOND

Investment bonds, also known as insurance bonds, can be another tax-effective investment option outside of super for people in certain circumstances.

An investment bond is an investment vehicle offered by insurance companies and friendly societies (our financial advisers can provide advice in establishing one).

They’re actually insurance policies—with beneficiaries nominated in the event the owner dies—but they share many similarities with typical managed funds: investments are made in a range of asset classes, such as shares, fixed interest, or property.

One of the main attractions of investment bonds are concessional tax rates, which apply both on the earnings generated within the bond, and on the capital gain when the bond is accessed or ‘sold’.

Investments held within these types of bonds can be accessed ‘tax-free’ after a period of 10 years, and have concessional tax arrangements if accessed after eight.

Earnings and capital gains in the bond are taxed at a maximum of 30% (less any franking credits or other deductions), compared to investments held outside of super which are taxed at the individual’s marginal tax rate.

Consider that in the 2017-18 financial year, personal income tax rates (including Medicare) of 32.5% applies for every dollar earned above $37,000, 37% for every dollar earned above $88,000, and 45% for every dollar earned above $180,000 (plus the 2% medicare levy).

Once an investment bond is established, investors can make contributions of up to 125% above the previous year’s contribution (i.e. if a bond is established with $100,000, a contribution of $125,000 can be made in year two, $156,250 in year three, etc.).

The 10-year ‘tax-free’ period starts again if contributions exceed the ‘125% rule’ so it’s important to consider contribution tax implications.

From a tax perspective, investment bond income and capital gains are taxed at a capped rate that may be lower than that which would apply to income from assets held personally by individuals with a higher marginal income tax rate (i.e. an individual with a taxable income above $37,000 per year and paying a 32.5% marginal income tax rate plus the Medicare levy).

Of course, individuals can invest in super—where investment earnings in the accumulation phase are instead taxed at no more than 15% compared to the investment bond tax rate of 30%—however, rules limit when super can be accessed, typically at age 65 and/or after age 60 and retirement.

Typical examples of these types of investors include those wanting to save for a long-term goal, such as children’s education or savings plans, or for other financial goals.

Investment bonds may also suit people who exceed $1.6 million in super, where generally in this case no more personal contributions can be made into super.

Investment bonds can be complex, so consider speaking with a qualified financial adviser to ensure these products suit your individual goals and objectives. Contact UniSuper Advice on 1800 UADVICE (1800 823 842) to find out more.

Written by Derek Gascagne
Senior Private Client Adviser

How much is ‘enough’—and what constitutes ‘retirement’—are somewhat subjective concepts, but here’s some food for thought.

The Association of Superannuation Funds of Australia (ASFA) divides ‘enough’ into two broad lifestyle categories for the average Australian—‘modest’ and ‘comfortable’.

Owning a home and your relationship status can also affect how much is enough.

As a lump sum figure, ASFA says that a single homeowner will need $545,000 to maintain a ‘comfortable’ retirement lifestyle ($640,000 for a home-owning couple).²

The financial side of retirement is only one part of creating a meaningful life outside of the workforce. In fact, part-time work, volunteering, or other forms of unpaid work (like caring for family) can be just as important for retirees.

Dr Sarah Cotton, Organisational Psychologist and facilitator of SuperFriend’s Mentally Healthy Retirement Program, says it’s essential to manage the emotional side of retirement.

Everyone tends to focus on their retirement portfolio, but we find the ‘psychological portfolio’ often gets left behind.”

To hear more from Sarah, head to unisuper.com.au/webcasts and sign up to watch our ‘Preparing for a mentally healthy retirement’ webcast.

Have you ever come across the term ‘longevity risk’? It’s worth noting this one as it’s the risk that you could outlive your retirement savings’ capacity to support your anticipated or desired lifestyle. (The Age Pension is a backstop against this—see ‘modest’ lifestyle in the table above.)

Budgeting, managing investments, and setting achievable goals and objectives can help give you a meaningful picture of retirement and counter longevity risk.

Resources like our budget planner or retirement adequacy calculator are good places to start—they’re at unisuper.com.au/calculators.

The Australian Securities and Investment Commission (ASIC) also provides useful, similar tools on its website.³

The figures in each case assume that the retiree/s own their own home and relate to expenditure by the household. This can be greater than household income after income tax where there is a drawdown on capital over the period of retirement. Single calculations are based on figures for females.

You can also attend our seminars—register at unisuper.com.au/seminars—or view our range of retirement-related webcasts.

And don’t forget you have access to UniSuper Advice for more personalised advice on retirement planning. Call 1800 UADVICE (1800 823 842) or visit unisuper.com.au/advice.

Being financially and emotionally prepared for retirement can be challenging. But it’s a very important part of developing—and living—a meaningful post-work life.

¹ASFA Retirement Standard:
²ASFA Media Release:
https://bit.ly/2mgGGOa
³ASIC Calculators and apps:
https://bit.ly/1Q90SfA

1  ASFA Retirement Standard:
2  ASFA Media Release:
https://bit.ly/2mgGGOa
3  ASIC Calculators and apps:
https://bit.ly/1Q90SfA
**CHANGES TO SUPER**

**UnSuper update**

**ANNUAL FEE REVIEW**

Please note the following doesn’t apply to transition to retirement (TTR) Flexi Pensions. If you have a TTR pension, you hold taxed investment options through your TTR pension account. Different Investment fee changes apply to these investment options. Read the version of Super Informed you receive with your super statement or go to our website for more information.

Following our annual fee review, from 1 October 2018, there’ll be a reduction in our investment switch fee from $13.10 to $11.10 for your second and subsequent switches each financial year (the first switch is free).

**REDUCTION IN INSURANCE PREMIUMS**

From 1 October 2018, premiums for Income Protection insurance will reduce by approximately 7% for all members. Tables outlining the annual premium per unit of Income Protection cover will be updated in our Insurance in your super booklet available at unisuper.com.au/pds.

**CHANGES TO INVESTMENT OPTIONS**

The following table outlines changes to several of our investment options from 1 October 2018.

<table>
<thead>
<tr>
<th>CHANGES TO INVESTMENT OPTIONS</th>
<th>Currently</th>
<th>From 1 October 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>Risk labelling: negligible negative years in a 20-year period (Very low)</td>
<td>Risk labelling: Less than 0.5 negative years in a 20-year period (Very low)</td>
</tr>
<tr>
<td>Australian Bond</td>
<td>Risk labelling: two negative years in a 20-year period (Medium) (Medium to high)</td>
<td>Risk labelling: three to less than four negative years in a 20-year period (Medium)</td>
</tr>
<tr>
<td>Conservative</td>
<td>Risk labelling: two negative years in a 20-year period (Medium) (Medium)</td>
<td>Risk labelling: two to less than three negative years in a 20-year period (Medium)</td>
</tr>
<tr>
<td>Balanced</td>
<td>Risk labelling: two negative years in a 20-year period (Medium) (Medium)</td>
<td>Risk labelling: three to less than four negative years in a 20-year period (Medium)</td>
</tr>
<tr>
<td>Diversified</td>
<td>Risk labelling: five negative years in a 20-year period (High)</td>
<td>Risk labelling: four to less than six negative years in a 20-year period (High)</td>
</tr>
<tr>
<td>Credit Income</td>
<td>Risk labelling: five negative years in a 20-year period (High)</td>
<td>Risk labelling: four to less than six negative years in a 20-year period (High)</td>
</tr>
<tr>
<td>Balanced</td>
<td>Risk labelling: five negative years in a 20-year period (High)</td>
<td>Risk labelling: four to less than six negative years in a 20-year period (High)</td>
</tr>
<tr>
<td>Sustainable</td>
<td>Risk labelling: five negative years in a 20-year period (High)</td>
<td>Risk labelling: four to less than six negative years in a 20-year period (High)</td>
</tr>
<tr>
<td>Balanced</td>
<td>Risk labelling: five negative years in a 20-year period (High)</td>
<td>Risk labelling: four to less than six negative years in a 20-year period (High)</td>
</tr>
</tbody>
</table>

From 1 October 2018, we will also increase the Investment fee for all Flexi Pension investment options by 0.03% p.a. This means that for every $100,000 you have invested in Flexi Pension, you’ll pay an additional $30 per year. Whilst we never like to increase fees, these changes are necessary to meet our operating costs.

There will be no indexation of Defined Benefit Index Pension or Commercial Rate Index Pension administration fees this year.

**ANNUAL FEE REVIEW**

Following our annual fee review, from 1 October 2018, we will also increase the Investment fee for all Flexi Pension investment options by 0.03% p.a. This means that for every $100,000 you have invested in Flexi Pension, you’ll pay an additional $30 per year. Whilst we never like to increase fees, these changes are necessary to meet our operating costs.

<table>
<thead>
<tr>
<th>Investment option</th>
<th>Risk labelling</th>
<th>Investment objective</th>
<th>Changes</th>
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</thead>
<tbody>
<tr>
<td>High Growth</td>
<td>Risk labelling: five negative years in a 20-year period (High)</td>
<td>To achieve returns that are at least 5% p.a. more than inflation (CPI) over seven years</td>
<td></td>
</tr>
<tr>
<td>Australian Shares</td>
<td>Risk labelling: six negative years in a 20-year period (Very high)</td>
<td>To achieve returns that are at least 4.5% p.a. more than inflation (CPI) over seven years</td>
<td></td>
</tr>
<tr>
<td>Listed Property</td>
<td>Risk labelling: five negative years in a 20-year period (High)</td>
<td>To achieve returns that are at least 5% p.a. more than inflation (CPI) over seven years</td>
<td></td>
</tr>
<tr>
<td>International Shares</td>
<td>Risk labelling: five negative years in a 20-year period (High)</td>
<td>To achieve returns that are at least 5% p.a. more than inflation (CPI) over seven years</td>
<td></td>
</tr>
<tr>
<td>Global Environmental Opportunities</td>
<td>Risk labelling: five negative years in a 20-year period (High)</td>
<td>To achieve returns that are at least 5% p.a. more than inflation (CPI) over seven years</td>
<td></td>
</tr>
<tr>
<td>Australian Equity Income in Asia</td>
<td>Risk labelling: five negative years in a 20-year period (High)</td>
<td>To achieve returns that are at least 5% p.a. more than inflation (CPI) over seven years</td>
<td></td>
</tr>
<tr>
<td>Global Companies in Asia</td>
<td>Risk labelling: five negative years in a 20-year period (High)</td>
<td>To achieve returns that are at least 5% p.a. more than inflation (CPI) over seven years</td>
<td></td>
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Important updates

2018 Federal Budget

The Government announced a number of proposed changes to super in the 2018 Federal Budget. While many come into effect on 1 July 2019, one took effect on 1 July 2018. Here’s a brief overview of the changes.

HIGH INCOME EARNERS BREACHING THE CONCESSIONAL (BEFORE-TAX) CAP TO OPT-OUT OF THE SUPERANNUATION GUARANTEE (SG)

From 1 July 2018, eligible people whose income exceeds $203,357 and have multiple employers may be able to negotiate that their salary from certain employers won’t be subject to the SG. This means high-income members may be able to avoid inadvertently breaching the $255,000 concessional cap as a result of multiple compulsory SG contributions.

Eligible individuals who do this may be able to negotiate additional income, taxed at marginal tax rates, instead of SG contributions. It’s unclear how this measure will apply to Defined Benefit Division members. We’ll update our website as more information becomes available.

BANNING EXIT FEES

The government proposes to ban exit fees when people change super funds, making it more affordable for those wanting to combine their super. UniSuper already doesn’t charge exit fees.

MAKING INSURANCE WITHIN SUPER OPT-IN

From 1 July 2019, default cover will be offered on an opt-in basis for under 25s. Members with account balances of less than $6,000 or who haven’t had a contribution or transfer for 13 months will have their insurance cancelled regardless of whether it’s default or underwritten cover. These members will need to be underwritten to get cover again.

This measure is intended to allow people to grow their balances faster, and protect people with low balances. Members who fall into these categories would still be able to apply for insurance cover if they choose to do so.

LIMITING FEES FOR LOWER BALANCES

From 1 July 2019, the government propose to limit administration and investment fees on super accounts with balances of less than $6,000 to 3%.

REUNITING LOST SUPER

The ATO will be given more authority to proactively transfer any lost or inactive super account with balances of less than $6,000 to people’s active super accounts.

TAX CUTS FOR LOWER- AND MIDDLE-INCOME EARNERS

The Government announced tax relief for low- and middle-income earners as part of a seven-year plan to reform personal income tax. It includes:

- the introduction of a new non-refundable Low and Middle Income Tax Offset from 2018-19 to 2021-22, aimed at providing tax relief of up to $530 for each of those years. The offset will be in addition to the existing low income tax offset (LITO), and
- from 1 July 2018, a change to the top threshold of the 32.5% tax bracket from $87,000 to $90,000.

The following table summarises the tax rates and thresholds from 2018-19 onwards, excluding the 2% Medicare levy.

<table>
<thead>
<tr>
<th>Rate</th>
<th>2018-19 to 2021-22</th>
<th>2022-23 and 2023-24</th>
<th>2024-25 onwards</th>
</tr>
</thead>
<tbody>
<tr>
<td>0%</td>
<td>$0 - $18,200</td>
<td>$0 - $18,200</td>
<td>$0 - $18,200</td>
</tr>
<tr>
<td>19%</td>
<td>$18,201 - 37,000</td>
<td>$18,201 - 41,000</td>
<td>$18,201 - $41,000</td>
</tr>
<tr>
<td>32.5%</td>
<td>$41,001 - 120,000</td>
<td>$41,001 - $200,000</td>
<td></td>
</tr>
<tr>
<td>37%</td>
<td>$90,000 - $180,000</td>
<td>$120,001 - $180,000</td>
<td>N/A</td>
</tr>
<tr>
<td>45%</td>
<td>$180,001+</td>
<td>$180,001+</td>
<td>$200,001+</td>
</tr>
</tbody>
</table>

Legislative update

SUPERANNUATION COMPLAINTS TRIBUNAL AND THE AUSTRALIAN FINANCIAL COMPLAINTS AUTHORITY

From 1 November 2018, the Australian Financial Complaints Authority (AFCA) will replace the Superannuation Complaints Tribunal (SCT), the Financial Ombudsman Service and the Credit and Investments Ombudsman.

This means you can still lodge a complaint with the SCT (www.sct.gov.au) and get information about any open matters with them up until 1 November, after which AFCA will be the only body that can resolve superannuation complaints. Go to unisuper.com.au/complaints for more information.

AMENDMENT TO UNISUPER’S REGULATIONS

An amendment made to the UniSuper Regulations, the document which governs how the fund operates, took effect on 1 March 2018.

The change to them removes the requirement for seven days of leave without pay that currently applies to members claiming inbuilt Temporary Incapacity benefits.

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