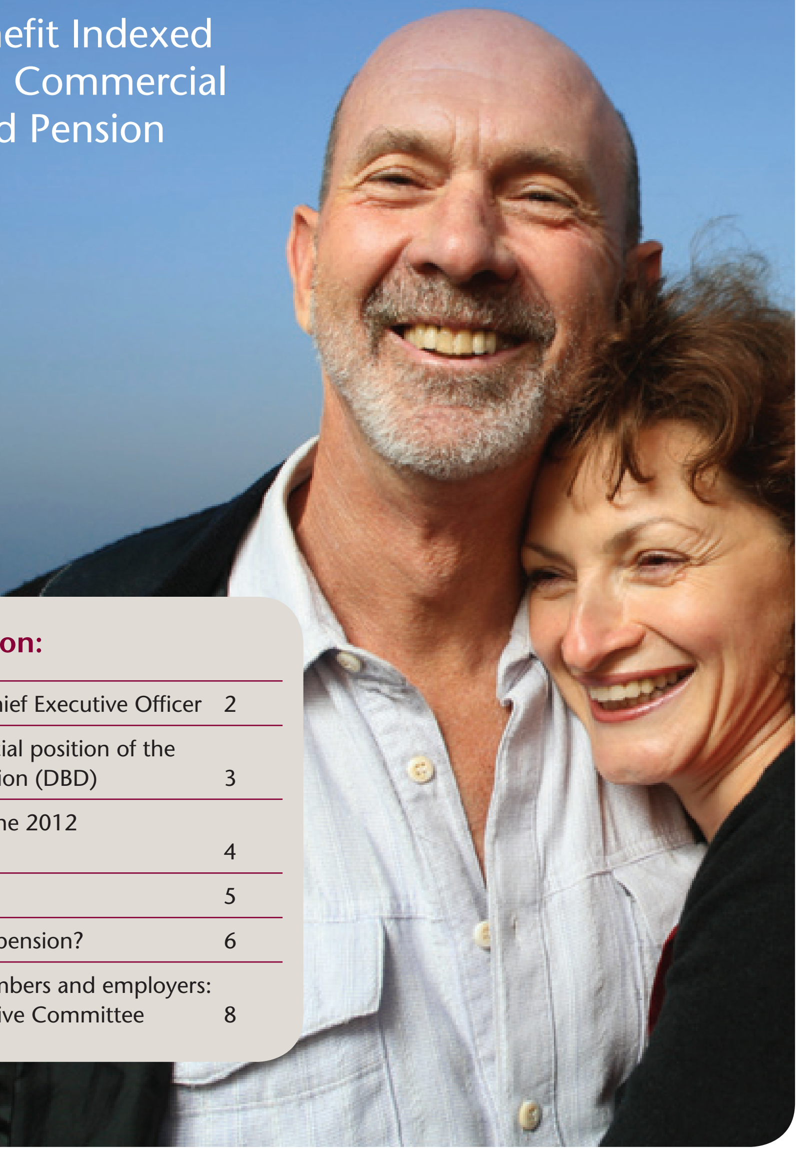
> AUGUST 2012

Super Informed

Defined Benefit Indexed Pension and Commercial Rate Indexed Pension



Inside this edition:

UniSuper

Message from the **Chief Executive Officer**

It's a time of change and reform for the superannuation industry.

With several of the Government's Stronger Super reforms starting to take effect, and others being fleshed out in more detail, there's a lot to keep up with. It's important to stay informed about how the changes – particularly those relating to contributions caps – could affect your super. Our Federal Budget update brings you the latest developments.

There are also some important changes to UniSuper on the horizon.

In preparation for the Government's proposed requirement for all funds to have an 'operational risk reserve' in place by 1 July 2013, we will establish one from 1 January 2013.

UniSuper's Regulations will be amended to make the rules clearer for members on the topics of family super splitting, and the period of time that members have to transfer from the Defined Benefit Division to Accumulation 2 on joining.

Details of these and other important changes are on pages 5-6.

With so much change ahead, it's also timely to reflect on our achievements.

On 13 July at the ATA Contact Centre Awards, UniSuper's Member Services Team won the Victorian Contact Centre of the Year Award for centres with 30 or less staff. This is a tremendous accolade and we're proud to offer you the highest quality service when you call our Helpline.

DBD update

UniSuper's Board and Management are committed to the financial health of the Defined Benefit Division, and will notify you of any decisions once they are made. On page 3 we provide an update based on the information currently available.

Note: Clause 34 of the Trust Deed does not apply to Commercial Rate Indexed Pensions.

I hope you find this edition of *Super Informed* enjoyable and informative, and, as always, please contact us if you have any questions about your super.

Warm regards

Terry C. McCredden
Chief Executive Officer

Update on the financial position of the **Defined Benefit Division (DBD)**

The financial position of the DBD continues to be an absolute priority for UniSuper's Board and Management.

As you know, the DBD is currently within a monitoring period under Clause 34 of the Trust Deed. This means that, after receiving an Actuarial Report in the first quarter of 2013, the Board is then likely to make a decision as to whether or not benefit reductions are required. It's important to remember that even if benefit reductions are required, any accumulation component or Flexi Pension investments you hold would not be affected.

UniSuper's Chief Executive Officer, Terry McCredden, wrote to all DBD members in June to provide a further update. Since that update, worldwide market volatility has been ongoing, management have continued with detailed contingency planning to prepare for a range of possible outcomes at the end of the current monitoring period, and we have engaged with various stakeholders on the issues.

It is still too soon to know whether or not benefit reductions will be required at the end of the monitoring period. However, as noted in the earlier letter, we are continuing to keep members updated at **www.unisuper.com.au/dbdupdate** – a dedicated DBD Update section of our website.

In particular, you should visit the DBD Update section and read about the Accrued Benefits Index and Vested Benefits Index. These indices are used to measure the financial health of the DBD and are calculated based on various assumptions (which are reviewed by the actuary from time to time).

We understand that many members are concerned as they await the Board's decision after the end of the monitoring period. Our communications are designed to keep members updated on this issue, based on the information we are able to provide at this stage.

If you have any questions about the DBD, Clause 34 and possible benefit reductions please visit www.unisuper.com.au/dbdupdate or call us on **1800 331 685**.

Super changes and the 2012 Federal Budget

Treasurer Wayne Swan's 2012/13 Federal Budget contained some important proposals for super. We've outlined what they mean for members.

It's important to understand at this stage some of these announcements are proposals only. They require passage of legislation through parliament before they're law. We'll keep you updated as further details are available.

1. Deferral of higher concessional contributions cap for over 50s

Under a transitional concessional cap that expired on 30 June 2012, members aged 50 years or over were able to contribute up to $50,000 to their super without exceeding the concessional contributions cap.

It was proposed that a new higher cap would be introduced for individuals aged 50 or over with total super balances below $500,000. However, the Government has announced that it will defer making the higher cap permanent.

This means that from 1 July 2012, the general contributions cap of $25,000 will apply to members aged 50 years or over with super balances below $500,000. Under the proposal the higher concessional contributions cap of $50,000 will apply again from 1 July 2014 for these members.

2. Proposed new tax rules for concessional contributions of higher income earners

The Government has also proposed new tax rules for concessional contributions of high income earners. This measure will affect members with incomes (including concessional contributions to super) greater than $300,000.

Under the proposal, from 1 July 2012 members with incomes greater than $300,000 are likely to face an additional 15% on concessional contributions that aren't in excess of the concessional contributions cap of $25,000. The 'additional' tax will not apply to concessional contributions that exceed the concessional contributions cap and remain subject to excess contributions tax.

For this measure, income will include, among other things, taxable income, concessional superannuation contributions and adjusted fringe benefits.

Concessional contributions will include:

- all employer contributions (both superannuation guarantee and salary sacrifice contributions), and
- personal contributions for which a deduction has been claimed.

For defined benefit members, it is proposed that concessional contributions will include their notional taxed contributions (i.e. contributions that are made to finance the defined benefit component).

3. Confirmed: Super withdrawals before age 60

The low rate cap is the limit set on the amount of the taxable component of a super lump sum benefit that you can receive at a lower (or nil) rate of tax.

The threshold for lump-sum withdrawals from super has increased to $175,000 in 2012/13 (from $165,000 in 2011/12) for members who are eligible before age 60. (If you're over age 60, your benefit is usually tax-free regardless of whether it's paid as a lump sum or pension.) The rate of tax that generally applies for amounts in excess of this threshold is 16.5%, including the Medicare levy.

4. Confirmed: A new superannuation contribution for low income earners

From 1 July 2012, the Government will provide a Low Income Superannuation Contribution of up to $500 for members with taxable income up to $37,000 a year. This is good news for low income earners as it effectively reduces the tax paid on their contributions under the Superannuation Guarantee.

For information on how the Federal Budget could affect you, call our Helpline on **1800 331 685**.

Important changes

Changes to UniSuper Regulations

The UniSuper Regulations govern how the Fund operates, along with the Trust Deed. The following amendments have been made.

Family super splitting – to take effect from 1 August 2012

The amendments clarify that, when a family superannuation split occurs, the reduction to be applied to the member's account (to enable payment to the ex-spouse or ex-partner) will be the amount specified in the family law court order or agreement, and any applicable earnings calculated in accordance with superannuation law.

The amendments also confirm that, following a family law split, the Trustee can:

- rollover or transfer the ex-spouse's or ex-partner's entitlements to another superannuation fund;
- pay the family law split amount to the ex-spouse or ex-partner where a condition of release has been met; or
- if the Trustee has insufficient information to properly administer the ex-spouse's or ex-partner's family law split entitlement, to transfer that entitlement to UniSuper's eligible rollover fund.

Transferring from the Defined Benefit Division to Accumulation 2 – to take effect from 1 October 2012

This amendment is designed to clarify the rules around the time within which Defined Benefit Division (DBD) members can elect to transfer to Accumulation 2.

Important changes continued

Generally new DBD members have 12 months in which to choose to transfer to Accumulation 2. There has been uncertainty as to how that period is to be applied where the member ceases employment prior to the expiry of the 12 month period.

The proposed amendment confirms that, where the DBD member ceases employment within the first 12 months of DBD membership and is then transferred to Accumulation 1, they will have a further 12 months in which to elect to make the transfer to Accumulation 2 when they re-enter the DBD. This is subject to the condition that no previous period of DBD service with an employer exceeds 12 months.

Setting up an operational risk reserve

Under the Government's Stronger Super reforms, it is proposed that trustees of all super funds will be required to establish and maintain an operational risk reserve from 1 July 2013.

The purpose of an operational risk reserve is to ensure that super funds have sufficient financial resources to cover losses, costs and expenses that may be incurred in the event of an operational risk.

While the proposed requirements do not come into operation until 1 July 2013, the Trustee feels that it would be prudent to establish and start funding a reserve from 1 January 2013.

In considering the current size and complexity of UniSuper, the Trustee has set a target funding level for the reserve of 0.25-0.30% with a minimum of 0.15% of the total sum of all accumulation account balances. From 1 January 2013, the Indirect Cost Ratios (ICRs) will be adjusted to include an amount of 0.06% p.a. to commence building the reserve. This will result in a minor reduction to the investment earnings for each investment option.

If there are any subsequent changes to the way the reserve will operate, we will provide you with further updates. We will notify you of any material changes in writing and updates on non-material changes can be found at **www.unisuper.com.au/members/product-information/product-updates.**

How healthy is your pension?

Making your money work hard for you is important no matter your stage of life. However, it becomes more of a focus when you're no longer working.

With the new financial year in full swing, now is a great time to check the health of your UniSuper pension.

Review your budget

When you were planning your life after work, you might have created a retirement budget based on the money you'd saved, the lifestyle you wanted and your retirement goals.

But now that you've started drawing from your pension, it might be worth checking if your budget is in fact right for your retirement needs.

You might consider reviewing whether you've budgeted enough to cover your day-to-day expenses, such as groceries, utility bills and mortgage or rental payments, and whether you've allowed for any large expenses such as an overseas holiday or car.

Setting a budget for your pension income can be challenging, especially as your circumstances and lifestyle needs change. But regularly reviewing your budget can ensure you stay on track to enjoy the lifestyle you worked so hard to earn.

Check if you're eligible for the Government Age Pension

Your pension account is one way you can fund your retirement. Another is through the Government Age Pension. And, depending on your circumstances, you may be able to combine them to provide your retirement income.

To qualify for the Age Pension, you must be an Australian resident and be of a certain age. You also need to pass an income and assets test. You'll find more information on Centrelink's information page on the Human Services website, **www.humanservices.gov.au/customer/services/centrelink/age-pension.**

In addition to your individual circumstances, your eligibility for the Age Pension may also depend on the type of UniSuper pension you hold.

If you're a Defined Benefit Indexed Pension member, generally the value of your UniSuper Pension is not assessed as an asset by Centrelink, which could improve your eligibility for the Government Age Pension.

It's important to check whether you're eligible for the Age Pension or other government support, especially when you've retired, because every extra dollar counts when you're no longer working full time.

Consider a financial check up

Before you make any decisions about your UniSuper pension you should consider your personal circumstances and whether to consult a financial planner. UniSuper Advice can help you review your pension by:

- reviewing or establishing your retirement budget to ensure you can cover your day-to-day and any larger expenses, and
- helping you with strategies that allow you to maximise the benefits available to you, such as the Government Age Pension, or explore a range of other available support benefits.

At UniSuper, we're here for you. Call the UniSuper Helpline on **1800 331 685**, or our Financial Advice Centre on **1300 331 685.**

When can you access the Age Pension?

To find out at what age you can apply to get the age pension visit **www.moneysmart.gov.au** and go to the Super and pension age calculator available from the Tools & resources section.

UniSuper Advice is the financial planning service available to UniSuper members and their spouses through UniSuper Management Pty Ltd (ABN 91 006 961 799, AFSL No. 235907). For more information, refer to our Financial Services Guide available at www.unisuper.com.au or contact our Financial Advice Centre on 1300 331 685.

The voice of our members and employers: UniSuper's Consultative Committee

One of the unique things about UniSuper is the strong representation of members and employers within our governance structure through the Consultative Committee.

Comprised of up to four appointees from each of UniSuper's 37 shareholder universities, the Consultative Committee has approximately 140 members, equally represented by university employers and staff (both academic and general).

The most important aspect of the Consultative Committee's role is to vote on changes to the Trust Deed. The Consultative Committee must approve any proposed changes to the Trust Deed (except where changes are required by legislation). Changes might relate to how the Fund is administered, membership eligibility, the types of benefits offered by the Fund, and when they become payable. It's also responsible for electing some of the directors to the board of the Trustee.

The Consultative Committee plays an important role by contributing to certain decisions about the operation of the Fund, and in doing so, helping UniSuper to fulfil its corporate governance obligations.

Contact us

Helpline 1800 331 685

Website www.unisuper.com.au

Email pensionsmailbox@unisuper.com.au

Address Level 35, 385 Bourke Street
Melbourne VIC 3000

UniSuper

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