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Message from the Chief Executive Officer

Our Balanced investment option returned a positive 1.9% for the financial year, placing the option in the top 25% of competitor funds over the period. This is a pleasing result when we consider the market conditions of the last 12 months, which you can read about on page 3.

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 page 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.

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 pension.

Warm regards

Terry C. McCredden
Chief Executive Officer

Investment update

The positive 1.9% return for the financial year earned by our Balanced investment option was achieved against difficult market conditions.

Given the above it’s no surprise that our best performing investment option over the past year has been Australian Bond (+12.7%)1. Investors sought the safety of bonds, pushing up their prices and lowering their yields, to levels which are now below the levels we saw during the height of the crisis in 2008.

While the positive return of 1.9% for the Balanced option seems underwhelming, it needs to be seen against the backdrop of very difficult conditions, and against the performance of our competitors.

The return was well ahead of the SuperRatings median and placed the option in the first quartile (top 25%)2 of competitor funds over the period.

It should also be noted that the DBD returned 3.3% for the year. The DBD portfolio has its own strategy tailored to its particular requirements, as its primary objective is to meet the defined commitments of the DBD. For this reason, the DBD is not typically included in surveys. If it was, our DBD portfolio’s performance would have ranked within the top decile (10%) of comparable diversified options in the SuperRatings survey. This solid performance was underpinned by a heavy weighting in high-yielding Australian property, infrastructure and blue-chip stocks.

Past performance is not an indicator of future performance.

1 Return relates to the Pension Balanced option. Net of investment expenses and fund taxes but gross of account-based fees.
2 Based on the SuperRatings survey published on 26 July 2012 for the period ended 30 June 2012.
3 Net of investment expenses and fund taxes but gross of account-based fees.
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 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.

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.

Updated Indirect Cost Ratios (ICRs)
The ICR reflects the costs that applied to UniSuper accounts in the most recently completed financial year, other than the costs which were separately deducted directly from members’ accounts in the form of specific charges. The ICR generally reflects investment-related costs which were paid to external managers in the prior financial year.

We calculate an ICR for each investment option, which is expressed as a percentage of the investment option’s average net assets during the relevant financial year.

To find out how ICRs are charged, refer to the PDS for your membership category at www.unisuper.com.au/product-information.

For the latest...
In August each year, we publish the ICRs for the previous financial year ended 30 June. ICRs for future financial years may be higher or lower, depending on the costs incurred by UniSuper. For the updated ICRs, visit www.unisuper.com.au/investments.
Global Companies in Asia – one of our newest investment options – gives you the opportunity to invest in companies that are positioning themselves to take advantage of the Asian region’s rapid economic and urban growth.

Urban growth in the Asian region

The main driver of growth in Asia has been China. Industrialisation has resulted in a sustained migration from rural to urban areas to meet the growing demand for labour. The UN Population Division estimates that the urban population in China is likely to grow by an additional 350 million people by 2025.

History has shown that growth in urbanisation rates also increases the wealth of the people.

China has seen one of the largest GDP per capita growth rates anywhere in the world. When grouped with its Asian neighbours, fellow powerhouse India, and the smaller growth economies of Vietnam, Thailand, Malaysia, Taiwan and Indonesia, what results is an area that’s enjoyed the majority of the world’s GDP per capita growth since 1990.

Middle class growth

Rising personal wealth leads to an increase in the number of people in Asia classified as middle class. According to the Asian Development Bank, by 2030 the global middle class will number 4.9 billion people, up from 1.8 billion today. China and India will account for two-thirds of this expansion. Spending power of middle class consumers in Asia will increase by eight times in the next 20 years.

Rising income results in changes to spending patterns, which in turn increases spending on higher-end consumer goods, better healthcare, recreation and services. The demand for quality, Western-branded products and services has created opportunities for companies to benefit from a growth that isn’t always possible in mature Western economies.

Selling brand names

Several large multinational organisations have been quick to offer their quality branded products to make the most of the Asian population’s newfound wealth. Global Companies in Asia is an investment option that seeks to harness the growth potential in Asia by directly investing in these companies.

These companies are generally well-diversified global heavyweights, and many are household brand names here in Australia – currently including Kraft, Johnson & Johnson and Nestle.

An example: Yum! Brands

Yum! Brands, the company that owns Pizza Hut and KFC, has expanded quickly in Asia. It was the first quick-service chain to enter China in 1987 and now has 4,650 restaurants in 800 cities. Last year the company opened 650 new stores – averaging nearly two openings per day. China became the company’s most valuable geographic segment in terms of revenue and profit in 2011. Over the next few years it plans the same expansion in India. Yum! Brands is one example of the type of companies in which Global Companies in Asia currently invests.

Option strategy

The Global Companies in Asia option invests in a diversified portfolio of international shares, listed on well-recognised, developed world exchanges (such as the S&P 500 in the US), that seeks to take advantage of the expected growth in consumption of Asian economies by investing in well-established global brands that have been effectively selling to the emerging Asian consumer.

Is Global Companies in Asia right for you?

This investment option may be suitable if you have a greater capacity and willingness to bear risk, and are comfortable with longer investment time horizons.

Global Companies in Asia (as one of UniSuper’s nine Sector investment options) is designed for investors who wish to create their own blend of assets to make up their investment portfolio. For more information, visit www.unisuper.com.au/investments.

We recommend you consider consulting a qualified financial adviser before making an investment decision based on this information. See page 15 to learn all about the range of services offered by UniSuper Advice.

Option objective

To achieve returns (after Fund taxes and investment fees) of at least 5% p.a. more than inflation (CPI), mainly through capital growth over seven year periods.

Strategic Asset Allocation

100% International Shares

Sector breakdown

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<th>Sector</th>
<th>%</th>
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<tr>
<td>Information Technology</td>
<td>23.01%</td>
</tr>
<tr>
<td>Consumer Staples</td>
<td>23.50%</td>
</tr>
<tr>
<td>Consumer Discretionary</td>
<td>17.89%</td>
</tr>
<tr>
<td>Financials</td>
<td>10.52%</td>
</tr>
<tr>
<td>Industrials</td>
<td>8.53%</td>
</tr>
<tr>
<td>Telecoms</td>
<td>8.30%</td>
</tr>
<tr>
<td>Health Care</td>
<td>5.12%</td>
</tr>
<tr>
<td>Materials</td>
<td>1.76%</td>
</tr>
<tr>
<td>Utilities</td>
<td>0.93%</td>
</tr>
<tr>
<td>Other</td>
<td>0.44%</td>
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These holdings are based on data as at 30 June 2012. Actual sector exposure will change from time to time.

Option snapshot

Fees1 0.60% p.a.

Commencement date  Launch – April 2012

Fund size2 AUD 348 million

No. of securities Minimum of 40

Risk allocation3 Very high risk

Time horizon 7 years or longer

1 Estimate of Indirect Cost Ratio. Actual costs may be higher or lower than estimate. Fees not inclusive of account-based fees (e.g. Admin switching).

2 Since 23 January 2012, UniSuper has invested in a comparable portfolio of securities under the same strategy and this includes the size of that investment.

3 As per ASFA/FSC standards
UniSuper’s performance is monitored and assessed by external organisations, such as super ratings agencies.

Each ratings agency has a different focus. From a consumer perspective, agencies like SuperRatings and Chant West help you see how your super or pension fund stacks up against others of the same type.

At UniSuper, we’re proud of the ratings we’ve consistently received, which is why you’ll see them displayed on many of our communications to you. It’s important to remember, however, that past performance is not an indicator of future performance.

So who are these ratings agencies and what are they saying about UniSuper?

SuperRatings
SuperRatings is an independent agency that analyses and rates super funds. In 2012, SuperRatings looked at more than 150 pension products that together hold retirement savings totalling over $75 billion in 350,000 member accounts.

SuperRatings determines its ratings by distributing the results in the following way:

- Platinum 25%
- Gold 25%
- Silver 25%
- Other 25%

As you can see, only 25% of products are eligible for the highest Platinum rating – and UniSuper’s Flexi Pension product is among the select few.

The Platinum rating is only awarded to the best value-for-money funds. According to SuperRatings’ methodology, the best value-for-money funds offer members:
- the greater potential to maximise their retirement savings,
- a well-serviced, secure environment, and
- well priced related ancillary benefits.

Our ratings with SuperRatings
UniSuper’s Flexi Pension product holds the following ratings with SuperRatings:
- Platinum Pension 2012,
- 5 year Platinum Performance 2007-2012, and
- Infinity Recognised 2012.

The 5 year Platinum Performance 2007-2012 rating reflects five years of receiving the Platinum award where we have consistently been in the top 15% of funds.

SuperRatings Infinity Recognised is awarded to super funds that clearly demonstrate excellent sustainable business practices and responsible investment principles. UniSuper is one of only 13 funds to have achieved the Infinity Recognised rating in 2012.

Chant West
Chant West is an independent super research and consultancy organisation that researches most of the leading super and pension funds and asset consultants in Australia. It also provides a number of tools – such as Pension AppleCheck – that you can use to help make well-informed decisions about your pension fund.

Want to know how UniSuper compares?
Pension AppleCheck allows you to compare UniSuper with more than 100 other pension funds on a fair and ‘apples with apples’ basis.

As a UniSuper member, you can access Chant West AppleCheck reports through our website, free of charge. Simply log in to MemberOnline or register via our website if you haven’t signed up for MemberOnline access yet.

UniSuper’s rating with Chant West
Chant West has awarded UniSuper’s Flexi Pension product its highest rating – 5 Apples (the lowest rating is 1 Apple). This rating sums up their overall view on the merits of our product relative to industry best practice. It takes several main criteria into account: organisational strengths, investments, fees, administration and member services.

In each of these areas, Chant West looks at a number of specifics. For example, when reviewing investments, Chant West focuses on:
- the quality of a fund’s investment governance,
- its internal investment team,
- its investment consultant, and
- the structure of these options.

Want to know more?
To find out about the ratings agencies, and learn more about how UniSuper rates, go to:
- www.superratings.com.au
- www.chantwest.com.au

“SuperRatings” refers to SuperRatings Pty Limited ABN 95 100 192 283 AFSL No. 311880. “Chant West” refers to Chant West Pty Limited ABN 75 017 595 316 AFSL No. 253320.
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.

If you have a Flexi Pension or Term Allocated Pension consider how your account is invested
The way your Flexi Pension or Term Allocated Pension account is invested could influence your pension income, so it’s important to review your investment options on a regular basis.

When considering whether your current investment options are right for you, also consider whether you’re comfortable with their level of risk, think about your retirement lifestyle, and factor in how long you expect to be in retirement.

There are 15 investment options to choose from. However, if you don’t want to make a choice, we’ll automatically invest your Flexi Pension or Term Allocated Pension account in our Balanced option.

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 hold a Flexi Pension (account-based pension) Centrelink may treat the income favourably.

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,
• reviewing your investment options to ensure they suit your retirement needs and goals, 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.

As a Flexi Pension or Term Allocated Pension member, you may even be able to deduct part of your UniSuper Advice fees (up to $770 including GST) directly from your pension account, providing the advice relates to your UniSuper membership.

Talk to a financial adviser from UniSuper Advice today about your pension by calling 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.

Come along to our complimentary education seminars
It’s never too late to learn. Even if you’ve left the workforce, now, more than ever, is a critical time to learn how to make the most of your pension. It’s also a time to remain abreast of any new government legislation and changed tax rules so you understand if and how they may affect your pension.

You can:
• get the information you need to help you understand your options,
• ask questions in a forum atmosphere, and
• bring your partner to an off-campus session.

Most importantly, we’ll give you up-to-date information about your pension and retirement options to empower you to make decisions about your lifestyle needs and goals. For more on seminars and how to register, see page 15.

At UniSuper, we’re here for you. Call the UniSuper Helpline on 1800 331 685, or our Financial Advice Centre on 1300 331 685.
Making a valid binding death benefit nomination is one way you can ensure that your beneficiaries receive your super when you die. If you don’t want to make a binding death benefit nomination, you have the option of making a preferred beneficiary nomination which gives guidance to the Fund’s trustee when they are deciding how best to distribute your super when you die.

Estate planning is just one of the things to think about in retirement. In fact, there’s a lot to consider when you have a pension and it can be hard to know where to start.

Did you know that your pension and super is not controlled by your will?

Seminars to help you plan your future

Come along to a Superannuation & Estate Planning session to learn about:
• how you can help make sure your money goes where you want it to when you’re gone, and
• nominating a legal personal representative, and what counts as a dependant or spouse.

So let us help.

Our complimentary education seminars can guide you through some of the trickier aspects of retirement.

We hold seminars on more than 10 retirement, pension and super-related topics, all to help you make the most of your retirement savings and tackle some more complex issues and decisions.

All members and their partners are welcome to come along to our seminars, which are held on and off university campuses at more than 40 venues around Australia. Just make sure you register online to secure your seat, otherwise you might miss out.

To find out more about the seminars we’re holding near you, and to register, visit www.unisuper.com.au/seminars.

Save time – get online

At www.unisuper.com.au you can find all sorts of information about UniSuper and your membership. And rather than wait for forms, fact sheets, and other documents to be posted to you, you can quickly download most at the click of a button.

MemberOnline

Log in to MemberOnline, the secure and personalised section of the UniSuper website, and take control of your pension.

Using MemberOnline means you can manage your pension in many ways, on your terms. You won’t have to make any phone calls or rely on the post to:
• check your account balance,
• update your personal details,
• nominate beneficiaries,
• look at how your pension is invested, and perform investment switches, and
• provide your Tax File Number.

It’s easy to register, if you haven’t already. Just visit www.memberonline.unisuper.com.au and enter your name, birth date and member number (at the top of your statement). We’ll send you a password so you can get started.

Need help? Just give us a call on 1800 331 685 between 8.30am and 5.30pm (AEST) Monday to Friday.

Have you visited the UniSuper website lately? You might be surprised by what you can do and find online!

Did you know that your pension and super is not controlled by your will?
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.