Super Informed

AUGUST 2014

UniSuper Board member Ian Martin talks about supporting Sydney’s marginalised

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Bringing you even more investment choice

Associate Professor Elizabeth Koch OAM, Flautist and Head of Woodwind at the University of Adelaide, explains her passion for teaching and why flute players are so gregarious.

The accidental flautist
Message from the CEO

A year ago I wrote my first message as UniSuper’s new CEO. It’s amazing to think that a year has already passed since I first took over the reins of this great fund! My first year at UniSuper has been immensely rewarding, and I’m looking forward to the challenges and opportunities ahead.

One priority during this past year has been ensuring that we’re best placed to consolidate our position as one of Australia’s leading super funds—and the super fund dedicated to the higher education and research sector. This has included building on the leadership team charged with delivering great value, excellent service and relevant choice to you, our members. We’ve achieved this by expanding roles within an already strong leadership team and appointing additional leaders with extensive skills and experience in the financial services industry.

INNOVATIVE INVESTING

If you’ve read any of our investment updates or articles, you’ll know that our investment approach is a little different from many other funds. Our team was one of the first super funds to move towards internal investment management—which adds value and generates meaningful cost savings for our members. This year, through our Socially Responsible Balanced option, we became the leading Australian investor in World Bank Green Bonds, which fund ‘green’ projects supporting renewable energy, cleaner urban transportation and food security.

In the next few months we’re launching a number of positive changes to our socially responsible options in response to changing member expectations and global developments, as well as a new investment option that will provide you with even more investment choice.

The new Diversified Credit Income option has been designed for members who are looking for an option that offers higher expected returns than our Australian Bond option, but does carry a higher level of risk. You can read more about our investment changes on pages 6 to 9.

THE DEFINED BENEFIT DIVISION

There has been a lot of interest in recent years in the financial position of our Defined Benefit Division (DBD). After the end of the ‘2009 monitoring period’, last July the Board confirmed there would be no change to benefits that DBD members accrue to 31 December 2014. To protect the DBD’s ability to pay future benefits, the Board also decided to change the way ‘benefit salary’ is determined for defined benefits to be accrued from 1 January 2015.

If you’re a DBD member looking for more information about your Division, we have a new booklet, UniSuper’s Defined Benefit Division explained, that provides a balanced and easy-to-understand guide to DBD membership advantages and risks. I encourage you to read it at www.unisuper.com.au/dbdupdate.

ONLINE DEVELOPMENTS

This year we’ll be forging ahead with our program of ‘digital enhancements’ that, among other things, will deliver an even more user-friendly MemberOnline with greater functions and further streamline our back-end administration.

NEW CALCULATORS

On page 9 you can read about the online calculators we’ve introduced to give you greater ability to understand and manage your super and retirement options. I’m particularly thrilled about our Retirement adequacy calculator which can estimate your future level of annual retirement income. With the government proposing to raise the eligibility age for the Age Pension, the question of retirement adequacy is more important than ever.

For more than three decades we’ve been committed to offering our members viable retirement income options. The retirement needs of Australians have evolved since UniSuper was established in 1983, which is why we’re advocating for policy reform that will give the super industry more flexibility to develop retirement income products that meet the changing needs of retirees.

RUNNING FOR PINK

As well as working hard to deliver greater retirement outcomes for our members, the staff at UniSuper have a fantastic sense of community spirit, which is demonstrated by regular fundraising efforts and participation in community events. In May, I was proud to be part of a UniSuper team that took part in the Mother’s Day Classic that provides a great way to raise funds for breast cancer research. It’s always very inspirational to see so many people participate on the day and help support this great cause. Our team raised over $13,000 and I understand over $5 million was raised internationally.

In closing, I hope you enjoy this edition of Super Informed. With the cold weather upon us, now’s the perfect time to pull up a chair, have a look at your revamped statement and tuck into some enjoyable and informative reading. I’m sure you’ll find something of interest and use to you.

Kevin O’Sullivan
The accidental flautist

UniSuper member, flautist and Head of Woodwind at the University of Adelaide

Associate Professor Elizabeth Koch OAM didn’t actually start out studying the flute. But a surprise discovery led her on an incredible musical journey.

I actually auditioned and got into the Elder Conservatorium of Music as a pianist. We had to take up a second instrument in second year, and I just happened to pick up somebody’s flute in the common room just as the very famous teacher [flautist] David Cubbin walked through. He said, “That sounds good! There’s a spare one in the office”.

I joined the Adelaide Symphony Orchestra three years later. Taking up the flute gave me so many more opportunities than the piano—a sort of solitary instrument in a way—could. For instance, I was able to play in an orchestra.

Teaching is such a lovely thing to do. You spend at least an hour with the person every week just one-on-one and you can really help shape their careers. I’ve got a lot of contacts around the world, mainly in London, and I’ve taken my students there and arranged master classes for them. That has really inspired some of them to go on to do even better things. I feel as though I can be a conduit for that.

I really like to focus on tone development because it’s like listening to a beautiful singer or a beautiful violinist—it’s the sound that will catch you. When I went overseas and had my very first master class with Sir James Galway, he was one of the first people to say to me, “Can you play that note with ten different colours?” I’d never done that before. Also, I teach an instrument that’s incredibly popular, so at my level of teaching the students have to be that much better than everybody else. That’s one of the reasons tone is so important.

There’s something about flute players; we’re a very gregarious bunch of people. When we get together, we play flute duets, trios, quartets, flute choir, flute ensemble. At the 2007 New York Flute Convention we had something like two-and-a-half thousand flutes playing at once and it was broadcast in Times Square—I think we broke the Guinness World Record. We do some very unusual things!

I don’t think I can pin down a favourite musical memory from my career, they were all pretty amazing. We did Verdi’s Requiem around Australia with Pavarotti, and a concert with Placido Domingo. Even the Shirley Bassey concerts we did, they were fantastic.

My ideal retirement would probably be teaching the flute! I’ll continue with my roles as President of the Music Teachers’ Association and member of the Flute Society Committee, which I’ve been on for 40 years. I’ll probably do some adjudicating and consulting and keep the teaching up. That’s the beauty of being a musician—you can still do it when you’re 95!

“At the 2007 New York Flute Convention we had something like two-and-a-half thousand flutes playing at once and it was broadcast in Times Square—I think we broke the Guinness World Record.”
Bringing you even more investment choice

We know you’re switched on and want investment choices that match both your savings goals and values. As a result, we’re pleased to announce a range of improvements to our investment options that provide you with more choice.

Coming soon: the new Diversified Credit Income option
Diversified Credit Income, the latest addition to our investment option family, will be launched on 1 September 2014. This option will aim to invest in a range of global, Australian and New Zealand corporate bonds with some flexibility to consider allocations to other securities where appropriate. Corporate bonds are debt securities issued by corporations and income is generated from repayments on those debt securities.

Option snapshot
LAUNCH DATE
1 September 2014
PERFORMANCE OBJECTIVE
To achieve returns (after Fund taxes and investment fees) of at least 1.5% + CPI over the suggested timeframe.
STRATEGIC ASSET ALLOCATION
100% Diversified Credit comprising 65% Global Credit and 35% Australian and New Zealand Credit. These are the target allocations. Actual allocations may deviate by +/- 20%.
SECTOR BREAKDOWN
- Global Credit: 65%
- Australian and New Zealand Credit: 35%

INTERESTED IN MAKING THE SWITCH?
Diversified Credit Income will be one of our Sector options, meaning it will mainly invest in a single asset class. Sector options are designed to be used in combination with other single asset classes or Pre-Mixed options to create a unique and diversified asset mix that is aligned with your investment strategy. Being a Sector option, it is not intended to be used in isolation.

If you have an accumulation account or component, you can switch to Diversified Credit Income from 1 September 2014 through MemberOnline at www.unisuper.com.au/mol or by completing an investment choice form, available from our website or by calling us on 1800 331 685. Switching fees may apply. Please see www.unisuper.com.au to learn more.
Enhancing our socially responsible investment options

Since introducing our first socially responsible investment option over a decade ago, we’ve been continually looking at our approach to these options to make sure we continue to meet member expectations and keep pace with global developments. In March 2014, we wrote to members invested in at least one of the Socially Responsible Balanced and Socially Responsible High Growth options about changes we’re making to these options. The following changes will take effect from 1 September 2014.

EXCLUDING CERTAIN SECTORS FROM OUR SOCIALLY RESPONSIBLE OPTIONS

We’ll be excluding alcohol, gaming and weapons from both options while maintaining our ‘best of sector’ approach to ensure a diversified portfolio. We will also screen companies involved in fossil fuel exploration and production from the portfolio in addition to the screening of tobacco from our mainstream investment portfolio. We’ve also screened a number of companies involved in fossil fuel power generation. We’ve assessed the suitability of this approach from an investment perspective and, importantly, we’ve looked at the expected real return of the portfolio and the probability of meeting the investment objective over the options’ suggested timeframes.

Based on our analysis, we estimate that the expected real return rate, the possibility of negative returns over a 20-year period, and the chance of meeting the options’ investments objectives will remain about the same as they were before these changes are implemented.


RENAMING THE OPTIONS

The Socially Responsible Balanced and Socially Responsible High Growth options will be respectively renamed to:

→ Sustainable Balanced
→ Sustainable High Growth.

ADDITIONAL PROPERTY TO OUR SUSTAINABLE OPTIONS

We’re also increasing the allocation to the Australian Listed Property asset class within the Sustainable Balanced and Sustainable High Growth options as follows:

**Sustainable Balanced**

- Australian Shares: 30.5%
- Australian Listed Property: 15.0%
- International Shares: 24.5%
- Cash and Fixed Interest: 30.0%

**Sustainable High Growth**

- Australian Shares: 43.5%
- Australian Listed Property: 21.5%
- International Shares: 35.0%

The above charts illustrate the new target allocations for both sustainable options. Actual allocations may vary from the above within the tolerance ranges disclosed in our How we invest your money and Investing for the future booklets.

SELECTING AUSTRALIAN SHARES AND LISTED PROPERTY

Only Australian Shares which are included in the Dow Jones Sustainability Indices (DJSI) will be selected for inclusion in either of the two sustainable options, except for Australian Listed Property (which we explain below). Stocks are only included in the DJSI if they meet certain sustainability criteria. However, the amount invested in each of these stocks (their ‘weighting’) may be determined by UniSuper rather than simply adopting the weighting given to those stocks in the DJSI.

An allocation will be made to Australian Listed Property stocks within the two sustainable options in order to enhance diversification. This allocation may be managed by UniSuper on an active basis with securities to be selected from the S&P/ASX200 A-REIT Index (a specialty index for Australian Listed Property). These securities may not be part of the DJSI but will be subject to sustainability criteria determined by UniSuper.

WILL THESE CHANGES AFFECT PERFORMANCE?

Sustainable Balanced and Sustainable High Growth will no longer be ‘sector neutral’ because we’ll be divesting from certain sectors. We’ve assessed the suitability of this approach from an investment perspective and, importantly, we’ve looked at the expected real return of the portfolio and the probability of meeting the investment objective over the options’ suggested timeframes.

New online calculators available now

We’ve launched new and updated calculators to help you make the most of your super, retirement income and investment choices. Available now are:

- **RETIREMENT ADEQUACty CALCULATOR**
  This calculator lets you work out how much income you may have in retirement, based on your current super balance, and how long it could last. It also shows whether there is likely to be a gap between your estimated and target income and outlines what you can do to give your super a boost.

- **PENSION INCOME CALCULATOR**
  If you’re close to retirement and have a good idea of what your balance will be at retirement, this nifty calculator allows you to project how much annual income you may be able to draw down over your estimated retirement period.

You should speak to a qualified financial adviser before making any decisions about your super. We encourage you to use the online calculators to inform your discussion with your adviser.

Also launching later this year will be our:

→ **Transition to Retirement (TTR) calculator.**
  Compare different TTR strategies and see which one may be right for you.

→ **Investment choice tool.** Get information to help you build an investment portfolio that suits your objectives and risk profile.

Is it worth shifting the focus of your cover?

UniSuper financial adviser Derek Gascoigne has seen some interesting cases during his many years in financial services. One that sticks in his mind concerns a couple who, soon after retiring, realised too late why it’s important to think about insurance, even when you’re financially comfortable.

If you’ve spent the last 20 to 30 years working hard to create a level of financial comfort, personal insurance may not seem that important to you. But there’s more to think about than just your own financial situation when it comes to insurance.

What would happen if one of your adult children had a bad accident and was uninsured? What would that mean for your lifestyle? Unfortunately, I saw a real life example of the consequences of having uninsured children a few years ago.

A TRAGIC ACCIDENT
A couple had just retired after spending many years saving hard to provide for their retirement. They had two young-adult children who had left home; one was studying and the other was starting a new career. The couple had many aspirations for retirement—at the top of the list was extensive overseas travel, which they had put off during their working lives.

Just weeks into their retirement, one of their children faced a lifetime of needing full-time care after a serious accident. With little to no insurance or wealth of his own, his parents took on his care and support, including the treatment and rehabilitation costs. In doing so, they abandoned their own plans for travel.

Within a short space of time, the couple’s financial situation was turned upside down and their retirement aspirations dashed. Part of the burden of this very sad situation might have been avoided or mitigated by the child thinking about his own insurance situation and obtaining adequate cover.

IMPORTANT LESSONS
We can all learn from this story if we have our own adult children or other dependants.

Here are some tips.

→ First think about who in your immediate circle would impact you most if they required financial assistance in the event of illness, injury or death. For many, this will be their children.

→ Have a frank discussion with your children about the cover they have. Ask them what sort of cover they currently have and how they might provide for themselves or their partner in the event of a serious illness, accident, disablement or death (particularly if they have children of their own). Most young people will have some sort of death and disablement cover through their super, but this might not be enough.

→ Encourage your children to seek professional advice about whether they have enough insurance, focusing on death, permanent disablement, income protection and trauma (also called ‘critical illness’). If an insurance needs analysis shows there is a gap, ask them if they would consider increasing their cover and/or applying for additional cover.

→ Certain types of life cover are only available outside of super. If your child or dependant can’t afford the cost of necessary cover, you may be able to take out a policy for them, where they are the insured and you, as the policy holder, are responsible for managing any benefit following a successful claim. In time, you may be able to hand over the policy once they are more financially established.

Remember, this is not only about your children protecting themselves, this is also about you protecting your retirement income.

This information is of a general nature only. It has been prepared without taking into account your individual objectives, financial situation or needs. Before making any decision in relation to your UniSuper membership, you should consider your personal circumstances, the relevant product disclosure statement for your membership category, and whether to consult a licensed financial adviser.
Changes to insurance definitions

**effective 1 July 2014**

The Total & Permanent Disablement (TPD) definition in the group life policy issued to the Trustee by TAL Life Limited (TAL) has changed, effective 1 July 2014. Members who are not covered by the standard external insurance arrangements with TAL are not affected by this change.

We’ve had to make this and other changes to the policy to comply with legislative requirements as part of the Federal Government’s ‘Stronger Super’ reforms.

Details of the TPD definition change and how it affects members are shown in the table below. To see the full definition and to find out more about these changes, please visit www.unisuper.com.au/my-insurance.

### NEW TPD DEFINITION EFFECTIVE 1 JULY 2014

<table>
<thead>
<tr>
<th>IF YOU HAVE TPD COVER UNDER THE STANDARD EXTERNAL ARRANGEMENTS WITH TAL, YOU MAY BE ENTITLED TO A TPD BENEFIT IF:</th>
<th>FOR MEMBERS INSURED PRIOR TO 1 JULY 2014</th>
<th>FOR MEMBERS-commencing/recommencing COVER FROM 1 JULY 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. You have suffered ill-health which makes it unlikely that you will engage in gainful employment for which you are reasonably qualified by education, training or experience and, unless an exception applies (see ‘Waiting periods’ on page 13), you have been absent from employment for six consecutive months or, if you were not in employment at the date of disablement, you have otherwise suffered ill-health for six consecutive months; or</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>2. You are unlikely ever to be able to perform at least two activities of daily living; or</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>3. If you were not gainfully employed at the date of disablement but were performing domestic duties:</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>→ you are under the care of a doctor;</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>→ unless an exception applies (see ‘Waiting periods’ below), you have been absent from performing domestic duties for six months; and</td>
<td></td>
<td></td>
</tr>
<tr>
<td>→ you are disabled to such an extent that you are unlikely to perform domestic duties or engage in gainful employment for which you are reasonably qualified by education, training or experience; or</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. You suffer the permanent loss of the use of two limbs or total sight of both eyes or the use of one limb and the sight of one eye.</td>
<td></td>
<td>X</td>
</tr>
</tbody>
</table>

Please note that members who commence or recommence cover from 1 July 2014, who suffer the permanent loss of the use of two limbs, or the total sight of both eyes, or the use of one limb and the sight of one eye, may qualify for a TPD benefit if they satisfy one of the other parts of the definition summarised above.

### OTHER CHANGES

The ‘date of disablement’ definition in the policy has changed and the definitions of ‘cognitive loss’ and ‘everyday working activities’ have been deleted consistent with the new TPD definition.

### WAITING PERIODS

In the following circumstances, an exemption may apply to the requirement that members be absent from gainful employment or domestic duties or suffer ill-health for six consecutive months:

→ they suffer a specific illness as defined in the policy;

→ they suffer ‘Whole Person Impairment’ as defined in the policy; or

→ for members who commence cover on or after 1 July 2014, their TPD is caused by the permanent loss of two limbs or the total sight of both eyes, or the permanent loss of one limb and the total sight of one eye.

To find out more about these definition changes, please visit www.unisuper.com.au/my-insurance. More comprehensive insurance information is available in the product disclosure statement or related insurance documents for your membership category, available on our website or by calling us on 1800 331 685.
### Coming soon: Changes to insurance arrangements for Accumulation 2 members

The ‘Stronger Super’ legislative changes also mean that UniSuper will no longer be allowed to self-insure benefits for accumulation members. This means that if you’re an Accumulation 2 member, we’ll need to transition your inbuilt death, disablement and temporary incapacity benefits to unitised Death, Total & Permanent Disablement (TPD) and Income Protection cover with our external insurer TAL. This transition will take place in early 2015.

A brief outline of some of the changes that will occur on the transition to unitised cover is set out in the table below.

<table>
<thead>
<tr>
<th><strong>INBUILT BENEFITS</strong></th>
<th><strong>TAL UNITISED COVER</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cover is salary based</td>
<td>Cover is age based</td>
</tr>
<tr>
<td>Temporary incapacity: Paid as an income stream</td>
<td></td>
</tr>
<tr>
<td>Death cover up to age 60: Death cover up to age 75:</td>
<td></td>
</tr>
<tr>
<td>Paid as a lump-sum death benefit</td>
<td></td>
</tr>
<tr>
<td>Disability cover up to age 65: TPD cover to age 70:</td>
<td></td>
</tr>
<tr>
<td>Paid as an income stream</td>
<td></td>
</tr>
<tr>
<td>Cover can only continue for 90 days after ceasing employment</td>
<td></td>
</tr>
</tbody>
</table>

Accumulation 2 members will have the flexibility to opt out, scale up or down, or mix and match the level and type of cover they have to suit their personal circumstances.

### INBUILT BENEFITS

- **Cover is salary based**
- **Temporary incapacity:** Paid as an income stream
- **Death cover up to age 60:** Death cover up to age 75: Paid as a lump-sum death benefit
- **Disability cover up to age 65:** TPD cover to age 70: Paid as a lump-sum benefit
- **Cover can only continue for 90 days after ceasing employment**

Accumulation 2 members will receive more detailed information on these changes and what they’ll mean for them in the coming months. We’ll also keep you updated through our website—please visit our My Insurance webpage at [www.unisuper.com.au/my-insurance](http://www.unisuper.com.au/my-insurance).

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### How will the deeming of account-based pensions affect you? We ask an expert.

Cameron Seidel is a financial adviser with UniSuper Advice who meets UniSuper members on a one-to-one basis to discuss their financial needs. Here he explains the new legislation governing how account-based pensions will be treated under the Age Pension income test.

#### WHAT IS CHANGING UNDER THE NEW RULES?

At the moment, individuals drawing an account-based pension such as UniSuper’s Flexi Pension receive favourable treatment under the Age Pension income test. This results in only a portion of the pension income being assessed.

The amount of pension income that is exempt from the test is referred to as the ‘deductible amount’ and is calculated by dividing the purchase price (or starting amount) of the account-based pension by the individual’s statistical life expectancy.

If the account-based pension holder has nominated a reversionary beneficiary, Centrelink will use the longer of the two life expectancies. If the reversionary beneficiary’s life expectancy is higher, this will result in a greater portion of the account-based pension being assessed under the income test. So understanding the social security implications of an account-based pension is extremely important.

#### WHAT IS DEEMING AND WHY IS IT IMPORTANT?

Deeming rates can be described as artificial interest rates set by Centrelink. The current deeming rate on the first $48,000 of financial investments for singles and $79,600 for couples is 2%, with the deeming rate above these amounts being 3.5%.

Let’s take the example of Martha, who purchases a UniSuper Flexi Pension for $300,000 at age 65 and has a life expectancy of 22 years. She has not nominated a reversionary beneficiary. This would result in a deductible amount of $13,636 ($300,000 ÷ 22). Let’s then assume Martha elects to draw the minimum annual pension of $13,000 (her opening balance of $300,000 x her age-based percentage factor of 5%). In this case, only $1,364 of Martha’s pension income would be assessed under the income test when the deductible amount of $13,636 is subtracted from her annual pension income.

From 1 January 2015, the income test situation will be very different as account-based pensions commenced after this date will be subject to the same deeming rules that apply to financial investments such as shares and cash. The new deeming rules will also apply to account-based pensions commenced prior to 1 January 2015 where account-holders were not in receipt of an eligible government income support payment, such as the Age Pension, prior to 1 January 2015.

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#### WHAT IS DEEMING AND WHY IS IT IMPORTANT?

Deeming rates can be described as artificial interest rates set by Centrelink. The current deeming rate on the first $48,000 of financial investments for singles and $79,600 for couples is 2%, with the deeming rate above these amounts being 3.5%.
To illustrate how the deeming rules will be applied, let’s revisit our previous example. We saw that only a small portion of Martha’s Flexi Pension income was assessable under the income test. But what if Martha instead commenced her Flexi Pension with the same amount of $300,000 from 1 January 2015? In this case, the annual deeming applied to her Flexi Pension income (assuming she’s single) would be $9,780 [($48,000 x 2%) + (($300,000 – $48,000) x 3.5%)]. So instead of $1,364 of her income being assessed under the income test, $9,780 p.a. would be assessed under the new deeming rules. This could result in Martha receiving a smaller Age Pension.

**WILL THE NEW RULES AFFECT ALL PENSION MEMBERS?**

The new rules won’t affect members who already have an account-based pension in place before 1 January 2015 and are receiving income support payments such as the Age Pension, Disability Support Pension or Carers’ Payment or Allowance. The Government has indicated that these members will be exempt and continue to be assessed against the existing account-based pension rules. However, if a member is not receiving the Age Pension as at 1 January 2015, their existing and future account-based pensions may be subject to the new deeming rules.

Members who begin receiving the Age Pension after 31 December 2014 will generally be subject to the new deeming rules. However, members who already have an account-based pension in place and seamlessly transition to the Age Pension after continuously receiving an income support payment such as the Carer Payment or the Disability Support Pension (i.e. there is no break in payment), will have their account-based pension ‘grandfathered’. This means their existing account-based pension will be exempt from the deeming rules. This is a complex matter and all members are encouraged to seek advice on the implications and potential benefits of having a grandfathered account-based pension.

It’s important to note that members who receive a lifetime indexed pension, like our Defined Benefit Indexed Pension, are currently subject to different rules and won’t be directly affected by this change.

**HOW WILL THE NEW RULES IMPACT PEOPLE PLANNING TO RETIRE?**

First and foremost, any member who is eligible for the Age Pension before January 2015 may want to consider commencing an account-based pension prior to January 2015 to take advantage of being exempt, i.e. assessed against the existing income test rules for account-based pensions.

However, if a member is not receiving the Age Pension as at 1 January 2015, their existing and future account-based pensions may be subject to the new deeming rules.

Members need to be aware that in addition to the income test, Centrelink also applies an assets test in determining eligibility for the Age Pension. Whichever test results in the least amount of Age Pension is the test that Centrelink applies. So for members more likely to be assets tested, the new deeming rules may not make any difference to their situation. This means that it’s really important for members to take their overall circumstances into account and not just focus on the income test alone.

This information is of a general nature only. It has been prepared without taking into account your individual objectives, financial situation or needs. Before making any decision in relation to your UniSuper membership, you should consider your personal circumstances, the relevant product disclosure statement for your membership category, and whether to consult a licensed financial adviser.

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Cameron Seidel has over 14 years’ experience as a financial planner. He provides strategic financial advice with a focus on optimising benefits for members through education and guidance, and assisting them to make more informed decisions about their finances leading up to and through retirement.
Supporting Sydney’s marginalised

UniSuper Board member Ian Martin was recently awarded an Order of Australia for significant service to the Wayside Chapel in Sydney’s Kings Cross (where he has volunteered for the past 10 years), to business and the community. He shares his passion for helping some of the most vulnerable members of our community.

Born in South Australia and raised in several of the state’s country towns, Ian Martin agrees the country instils a sense of community in those fortunate enough to grow up there.

“I spent a lot of my childhood in Meningie (in south-eastern SA), which has a large Aboriginal community, and I was very conscious from a young age that people have very different starts in life”, Ian says.

A former Treasury economist and BT Financial Group investment manager and chief executive, Ian stepped down from his high-profile executive career in his late 40s and made the decision to contribute his wealth of experience and time to organisations that “desperately needed it”.

“I was attracted to the work Wayside does with marginalised people in Sydney”, he says, “but when I first became involved, it was running at a large annual loss and the building was largely condemned. Something needed to be done fast or the organisation was on the brink of closure.

“Funding primarily comes from individual donors, so we set about appealing to the ‘big end of town’. Our aim was to completely rebuild two-thirds of the building and renovate the other third. Thanks to a wonderful team effort, we secured $8 million in funding, 60% of which came from the state and commonwealth governments.”

“The Chapel’s turnaround is a function of good governance and leadership by the Board, Wayside’s Pastor and CEO Reverend Graham Long, and the management team”, continues Ian, who has been Chairman of the Wayside’s Board for nearly a decade.

“I’m proud to have been able to support Graham and his team by bringing my executive and corporate experience to the task. Wayside’s improved funding position and new building allow us to do an even better job and offer more programs for more people.”

In 2012/13, the Wayside Chapel provided 82,000 instances of support for between 5,000 and 6,000 people, served 9,000 meals, offered 7,000 one-on-one support sessions, administered more than 2,000 first aid and health services, made nearly 2,000 referrals, and provided 900 activities for young people and those with long-term mental health issues.

The chapel also has an Aboriginal program, a youth program focused on homeless youth, an Employment Pathways project for unemployed youth, and a community service/crisis centre.

ABOUT IAN MARTIN (AM)

With 35 years’ experience in the finance, investment and superannuation industries, and as a member of the Cooper Review into Australia’s superannuation system, Ian is well placed to serve as an independent non-representative director on the UniSuper Board, Chairman of the Investment Committee and member of the Remuneration Committee.

Noting that Australia consistently ranks in the top three against other countries’ super and pension schemes, he would like to see people become more engaged with their super. He says the question about retirement adequacy is still significant for many people and believes continual increases in the contribution rate and less government involvement would help address this.

“Many young people who use the centre have run away from home, are often from interstate, and find themselves in Sydney’s Kings Cross, where they are at risk of becoming involved with drugs and prostitution. Wayside helps them reconnect and get back on their feet.

One of around 500 active volunteers, Ian supports Wayside’s 35 full-time staff members to put the organisation’s motto, ‘To meet people rather than work on them or fix them’, into practice.

“For many marginalised people in Sydney, Wayside is their first point of contact for help”, says Ian.

Ian explains that he combines his voluntary work with his paid work to create one full time job.

“Wayside is part of my normal day”, he says.

And judging by the success of Ian’s involvement, Wayside is very fortunate he sees it that way.
Changes to super

Legislative update

DEEMING OF ACCOUNT-BASED PENSIONS
From 1 January 2015, deemed income from account-based pensions will be counted towards the Centrelink and Department of Veterans’ Affairs income tests that, with the assets tests, are used to assess an individual’s Age or Service Pension entitlement.

Members who already have an account-based pension in place before 1 January 2015 and are receiving a
government income support payment—such as the Age Pension, Disability Support Pension or Carer Pension—will continue to be assessed under the existing rules. To find out more, see pages 15 to 17.

MEDICARE LEVY
The Medicare levy increased from 1.5% to 2% on 1 July 2014. As a result, the withholding rates for certain superannuation payments will go up by 0.5%. This includes the tax payable on super benefits taken by those aged less than 65; and pension payments to individuals aged less than 60.

TEMPORARY BUDGET REPAIR LEVY
The government has introduced a temporary Budget Repair Levy of 2% for high-income earners to help bring the budget back to surplus. The levy applies on top of an individual's marginal tax rate and is payable for three financial years from 1 July 2014 on taxable income exceeding $180,000.

The levy will also affect other tax calculations that are based on the top tax rate, e.g. tax withheld from the super contributions of individuals who have not provided their TFN.

DIVISION 293 TAX
From 1 July 2012 a 15% tax—known as Division 293 tax—applies to certain concessional contributions of high-income earners whose total income plus concessional contributions within the concessional contributions cap is more than $300,000.

The government has agreed on a method based on notional taxed contributions’ (NTCs) for valuing contributions to defined benefit funds.

For more on NTCs, see the fact sheets at www.unisuper.com.au/forms-and-brochures.

2014/15 Federal Budget
You will recall that the Abbott Government delivered its first Budget in May. While many of the speculated changes did not go ahead—a e.g. an increase in the age at which individuals can access their super—several announcements do affect superannuation and pensions.

Budget announcements should not be regarded as final until legislation has been passed. We will continue to keep you updated as developments occur.

PROPOSED PENSION CHANGES
Age Pension qualifying age
It's expected that the Age Pension qualifying age will gradually increase to 70 by 1 July 2035. This extends an existing policy, introduced by the former government, to increase the Age Pension qualifying age to 67 by 1 July 2023.

Contributions caps
The contributions caps that apply to concessional and non-concessional contributions increased on 1 July 2014. This means that you can now contribute more to your super at favourable tax rates.

CONCESSIONAL CONTRIBUTIONS CAP
The concessional contributions cap is $30,000 (up from $25,000) from 1 July 2014. If you're aged 49 years or older on 30 June 2014, you are eligible for a higher cap of $35,000 from 1 July 2014.

NON-CONCESSIONAL CONTRIBUTIONS CAP
The non-concessional contributions cap has increased to $180,000 from 2014/15 onwards. This means that under the ‘bring-forward rule’, you may be able to make non-concessional contributions of up to $740,000 over a three-year period. The rule allows individuals aged less than 65 to make non-concessional contributions of up to three times their non-concessional contributions cap (i.e. $540,000 from 2014/15) over a three-year period.

However, it’s important to be aware that the bring-forward rule is triggered the financial year in which non-concessional contributions exceed the contributions cap. Therefore, if you triggered the rule in 2013/14 or 2012/13, you will not be eligible for the higher three-year cap.

Commonwealth Seniors Health Card eligibility
The government has proposed including untaxed superannuation income when assessing eligibility for the Commonwealth Seniors Health Card (CSHC) from 1 January 2015.

The new measure will only apply to new recipients of the CSHC, which means that existing cardholders are exempt.

OTHER BUDGET PROPOSALS
Low Income Superannuation Contribution
The government has confirmed its policy to repeal the Low Income Superannuation Contribution (LISC), a government payment of up to $500 to help low-income earners save for retirement. The decision to repeal the LISC is tied to the repeal of the mining tax which, at the time of going to print, has not been passed into law.
Superannuation guarantee rate changes
Effective 1 July 2014, the compulsory rate of superannuation guarantee (SG) increased by 0.25% to 9.5%, and is proposed to remain at this rate until 30 June 2018. It will then increase by 0.5% each year until it reaches 12% on 1 July 2022.

Treatment of excess non-concessional contributions
The government has proposed giving individuals who breach their non-concessional contributions cap from 1 July 2013 the option to withdraw the excess contributions and any associated earnings from their super.

Currently, super contributions that exceed the non-concessional contributions cap are subject to excess contributions tax which is the top marginal tax rate. With personal tax already paid on the amount, this means that excess non-concessional contributions are taxed at up to 95%.

Under the Budget proposal, if an individual chooses to withdraw their excess contributions, no excess contributions tax will be payable and any related earnings will be taxed at the individual’s marginal tax rate. The existing rules will continue to apply to individuals who leave their excess contributions in their super.

At the time of going to print, the final details of the policy are yet to be settled and it is unclear how—or if—this measure will apply to Defined Benefit Division members.

UniSuper update
OPERATIONAL RISK FINANCIAL RESERVE (FORMERLY KNOWN AS OUR OPERATIONAL RISK RESERVE)
We comply with APRA’s Operational Risk Financial Requirements by setting aside a reserve. This is now funded out of new investment-related charges which are included in the indirect cost ratio (ICR) for each investment option. This component of the ICR is currently 0.06% p.a. for each investment option.

We also comply with APRA’s Operational Risk Financial Requirements for the Defined Benefit Division (DBD) by funding and maintaining a reserve valued at 0.25% of DBD assets. This explanation overrides the explanations in our product disclosure statement (PDS). To find out more, see the PDS for your membership category.

REVISED RISK RATINGS
The risk ratings of several options have been updated following an analysis of updated market data. The changes are summarised in the table below.

<table>
<thead>
<tr>
<th>OPTION</th>
<th>CURRENT RISK RATING</th>
<th>NEW RISK RATING</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australian Shares</td>
<td>Very High</td>
<td>High (5 negative years in 20)</td>
</tr>
<tr>
<td>(6 negative years in 20)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>International Shares</td>
<td>Very High</td>
<td>High (5 negative years in 20)</td>
</tr>
<tr>
<td>(6 negative years in 20)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Global Companies in Asia</td>
<td>Very High</td>
<td>High (5 negative years in 20)</td>
</tr>
<tr>
<td>(6 negative years in 20)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Global Environmental Opportunities</td>
<td>Very High</td>
<td>High (5 negative years in 20)</td>
</tr>
<tr>
<td>(6 negative years in 20)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Growth</td>
<td>High (5 negative years in 20)</td>
<td>High (4 negative years in 20)</td>
</tr>
</tbody>
</table>

INDIRECT COST RATIOS FOR THE YEAR ENDED 30 JUNE 2014
The indirect cost ratios (ICRs) for the year ended 30 June 2014 are now available online at www.unisuper.com.au/investment-costs.

ICRs show the total indirect costs attributed to each of our investment options (excluding the fees that are charged directly to your account) as a percentage of the average net assets of the relevant investment option.

CHANGES TO NTC CALCULATIONS FROM 1 JANUARY 2015
Due to Clause 34 changes being implemented on 1 January 2015, there may be a slight adjustment to how members’ notional taxed contribution (NTC) amounts are calculated from that date. For some members, the ‘New Entrant Rate’ used to determine their annual NTC amount may reduce, which will decrease the likelihood that their NTC will exceed the concessional contributions cap. To learn more about NTCs and how the changes may affect you, see the NTC fact sheets at www.unisuper.com.au.

WORKPLACE GENDER EQUALITY AGENCY (WGEA) REPORTING
UniSuper recently submitted its annual report to the WGEA (formerly The Equal Opportunity for Women in the Workplace Agency) as part of its requirements to comply with the Workplace Gender Equality Act 2012 (WGE Act). WGEA is the government statutory authority charged with supporting and improving gender equality in Australian workplaces. Visit our website at www.unisuper.com.au to view the report.

STRATEGIC ASSET ALLOCATIONS FOR MYSUPER
We have reviewed our MySuper investment strategy and the allocations are as follows:

- **Australian Shares**: 36% (23.5%–48.5%)
- **International Shares**: 20% (7.5%–32.5%)
- **Property**: 9% (0%–21.5%)
- **Infrastructure and Private Equity**: 5% (0%–17.5%)
- **Cash & Fixed Interest**: 30% (17.5%–42.5%)
- **Australian Shares**: 36% (23.5%–48.5%)

**Growth 70% (57.5%–82.5%)**
**Defensive 30% (17.5%–42.5%)**
SuperRatings, a superannuation research company, has awarded UniSuper a Platinum rating for its accumulation products. For details of the rating criteria, go to www.superratings.com.au. SuperRatings does not issue, sell, guarantee or underwrite this product.

Chant West has awarded UniSuper a 5 Apples rating for its accumulation products. For further information about the methodology used by Chant West, see www.chantwest.com.au.

Prepared by UniSuper Management Pty Ltd (ABN 91 006 961 799, AFSL No. 235907) on behalf of UniSuper Limited, ABN 54 006 027 121, the trustee of UniSuper (ABN 91 385 943 850). UniSuper Management Pty Ltd is the Administrator of the Fund and is licensed to provide financial advice, which is provided under the name of UniSuper Advice. The information in this booklet is of a general nature only and includes general advice. It has been prepared without taking into account your individual objectives, financial situation or needs. Before making any decision in relation to your UniSuper membership, you should consider your personal circumstances, the relevant product disclosure statement (PDS) for your membership category and whether to consult a licensed financial adviser. To obtain a copy of the PDS relevant to your membership category, visit the UniSuper website at www.unisuper.com.au or contact the UniSuper Helpline on 1800 331 685. UniSuper Advice is a service dedicated to UniSuper members and their spouses which is provided by UniSuper Management Pty Ltd, the entity licensed to provide financial advice. For further information about UniSuper Advice, please visit the UniSuper website at www.unisuper.com.au, access the Financial Services Guide and, for any further enquiries, contact the UniSuper Helpline on 1800 331 685. UniSuper is referred to as UniSuper or the Fund. UniSuper Ltd is referred to as UniSuper or the Trustee.