



UniSuper

Super Informed

JULY 2015



Save
your
super!

...> Tips to help reduce the impact of fees and maximise your investment

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Message from the **CEO**

As you may have seen on our website, I was honoured to collect awards for 'Super Fund of the Year' and 'Best Fund: Investments' on UniSuper's behalf at ratings agency Chant West's annual super awards ceremony in May.

CATERING TO MEMBER NEEDS AND PROVIDING ON-CAMPUS SUPPORT

When presenting the awards—which take into account our performance in the areas of investments, member services, fees, insurance and administration—Chant West director Warren Chant made particular mention of our retirement calculators and video member statements, as well as the benefit projections we piloted earlier this year and are rolling out to more members with the 30 June benefit statements. The great feedback we've received in response to these initiatives shows we're on the right track in our efforts.

These initiatives demonstrate our commitment to listening to and responding to our members' needs. Our network of on-campus consultants, who are now available Australia-wide, provides members with an additional way to give us feedback, ensuring we deliver even more for members. Your on-campus consultant can help you with general super queries and information on our products and services.



You can find your nearest on-campus consultant on your university specific page at unisuper.com.au/employers/universities. If you don't have an on-campus consultant at your university or are no longer working in the sector, you can obtain general advice about your account or a UniSuper product or service by calling our Financial Advice Centre on **1300 331 685**.

CONTINUED STRONG INVESTMENT PERFORMANCE

By delivering consistently strong investment performance we can help our members to pursue their financial goals in retirement. The 'Best Fund: Investments' award 2015 recognises our achievements and expertise in this area. Chant West highlighted in particular the strength of our internal investment team and its management of a significant portion of the fund's assets, the excellence of the Board's Investment Committee and the consistency of our returns. The investment market update that comes with your statement pack has more about our recent investment performance.

Kevin O'Sullivan



ON THE HORIZON

While we're thrilled to be named 2015 'Super Fund of the Year' and 'Best Fund: Investments', we're not resting on our laurels. Here are some of the things we'll be doing over coming months to help ensure you have the very best in terms of products and services, fees and returns.

Fee changes: Our fees are consistently among the most competitive in the industry, but we're always keeping an eye on our pricing to make sure we continue to offer great value to our members. You can read more about fee changes on page 20.

Enhanced member spaces: We're upgrading our member spaces in UniSuper offices around the country. Whether you're meeting with an adviser, dropping by to ask a question or simply returning a form, these refurbished spaces will provide a more private and comfortable setting in which to chat with our UniSuper consultants and advisers.

Product enhancements: Many members are currently able to make a binding death benefit nomination to specify to whom their benefit would be paid in the event of their death. As those binding nominations expire after three years, from 1 October 2015 we'll be offering non-lapsing binding nominations. Find out more on page 22.

Fee changes coming soon

It's not often you hear about fees going down, but we're pleased to advise that many UniSuper members will pay less for our products and services from 1 October 2015, when we'll be reducing our administration fees for Accumulation 1 and 2, Spouse Account and Flexi Pension members, and reducing the switching fee for all members.

You've told us that being confident your super fund's fees are competitive is one of your top concerns. Offering great value is also one of the key ways we measure our success. This is why we commit to reviewing our fees regularly—it helps us ensure that we continue to be competitive.

If you'd like to learn more about the fees that apply to your account, you can take a look at the relevant product disclosure statement or *Fees and costs* video at unisuper.com.au.

WANT TO KNOW MORE?

See page 20 for details of the fee changes coming in on 1 October 2015. While you're there, be sure to look at other changes that took effect on 1 July 2015.

More information will also be available at unisuper.com.au when the 1 October changes take effect.

In the meantime, please call us on **1800 331 685** if you have any questions.

Spreading the **word**

From being awarded an Australian Unity Wellbeing Scholarship to being invited to speak at this year's TEDx Docklands event, UniSuper member Melissa Weinberg's passion for psychology has opened many doors for her. The Senior Research Fellow at Young and Well Cooperative Research Centre and Honorary Fellow at Deakin University's Faculty of Health takes us behind the scenes of her TEDx talk.

Sometimes we take a chance and it opens doors to places we'd never imagined. Last year, I was invited to speak at the 'Meaning of a Good Life Conference', an independent fundraising venture for the World Hunger Project. I was humbled to have been invited to contribute to the event, and I presented a talk on the science of happiness. Some days later I was contacted about speaking at an upcoming TEDx Docklands event.

I was assigned a Speaker Coach, Adam O'Donnell, and sent the 'TEDx Commandments' to guide the structure of my talk. I've spoken at many conferences before, but this was different. At academic conferences I can rely on statistics and speak to the science. For TEDx, I needed to give something of me. TEDx was personal.



The biggest challenge for me was to craft a talk that was true to my own personality as much as it was to the science. In the months leading up to the event, Adam helped me develop my presentation skills, advising on the content and also coaching me on articulation, intonation, and non-verbal communication. It took a few iterations, but by the time the day came around I was confident, and ready.

I was scheduled to speak last, and listened intently to the wonderful presentations and performances throughout the day. My feelings oscillated between nervousness and excitement, but when it was my turn, I took

a few deep breaths and kicked into gear. Though I could barely see for the bright stage lights, I could feel the encouragement and connection from the audience as I eased into my talk, and before I knew it, it was all over.

I took a chance by making myself vulnerable and revealing my personal connection to the science of happiness. TEDx gave me an opportunity not only to share my work, but also the story of my grandfather, a Holocaust survivor and my hero. He passed away last year and I was able to make a unique contribution to preserving his memory, and to ensuring that what happened to him as a young boy is never forgotten. I know that he would be so proud of me.

I can't wait to see what new doors may open, and eagerly anticipate what lies ahead.

Watch Melissa's TEDx video at bit.ly/1dLlQ4Y.



WHAT IS TEDx?

The TEDx program helps communities around the world host independently run TED-like events that, in the spirit of the non-profit TED foundation, aim to spread ideas with the power to “change attitudes, lives, and, ultimately, the world”. TED is renowned for its short, powerful talks on a range of topics—including science, business and global issues—but it also awards an annual TED Prize and creates the TED-Ed lesson series with the help of teachers and students from around the world.

Melissa Weinberg talks about the science of happiness

“The Australian Unity Wellbeing Index is the nation’s largest population-level study of subjective wellbeing, or happiness. The study conducts regular surveys to gather data from about 2,000 Australians who represent the population in terms of gender and geographical location. The accumulated dataset now comprises information on the happiness of more than 60,000 Australians.

“We use a measure called the Personal Wellbeing Index to capture subjective wellbeing. This involves asking people how satisfied they feel with their lives as a whole, and with different domains of life. The average satisfaction score for the population always falls around the 75% mark, and the same has been shown in other Western countries as well.

“Of the seven domains of life that we know statistically contribute to overall life satisfaction, the three that stand out are being satisfied with your standard of living, your personal relationships, and what you are achieving in life. So, you need to be earning enough money to meet your ordinary needs, to have access to support in the form of a close relationship, and to have something to do that gives you a purpose.”

See www.acqol.com.au/reports/auwbi.php for more on The Australian Unity Wellbeing Index, or check your own wellbeing online at www.australianunity.com.au/about-us/wellbeing/auwbi.

An inside look at diversification

One of the basic pieces of advice given to investors is to ensure their portfolio is well diversified to help protect against volatile markets. But what does that look like—and is it possible to go too far? We recently posed this question to our Chief Investment Officer John Pearce and Private Client Adviser Natalie Eden.





SO WHY WOULD WE TELL OUR MEMBERS TO DIVERSIFY?

John Pearce (JP): As the old saying goes, “you shouldn’t put all your eggs in one basket”. The reason it’s survived all this time is because it’s good old-fashioned common sense.

In the early 1950s, Harry Markowitz proved mathematically that a portfolio of a number of loosely correlated securities will exhibit less volatility or less risk than a single security. This is quite technical, so I’d rather stick to the simple wisdom of not putting your eggs into the one basket, plain and simple.

Natalie Eden (NE): I agree with John, diversification can be best described as not putting your eggs in one basket, with the aim being to manage risk and allow for more consistent performance under various economic conditions.

JP: That’s another way of looking at it. We like to think of diversification as not necessarily managing risk *per se*. One thing we’ve got to be very clear about is that diversification doesn’t *eliminate* risk. I think

there’s a misconception that it does —however, a risky asset stays a risky asset regardless of how you combine it with other risky assets in a portfolio.

SO, WHAT DO YOU MEAN BY THAT?

JP: I think there’s a misconception that the best way to reduce risk is to diversify. Just consider the GFC as an example. It proved that a risky asset will stay a risky asset, no matter how you combine it with other risky assets in a portfolio.

It turns out in a crisis situation, all types of assets are far more correlated than the theory would have it—so you’ve got to be careful when you think about diversification as a risk mitigator.

To me, the best risk mitigator has always been and will be cash. The problem with that of course, is at the moment there’s a huge opportunity cost. When you’re getting paid 2%, it’s potentially a big insurance premium to reduce risk.

IS IT POSSIBLE FOR MEMBERS TO OVER-DIVERSIFY?

JP: The short answer is yes, and we've actually got a few members who spread their investments across many options and you've really got to question why—the more you diversify, the more likely you are to get average returns.

UniSuper's got a good range of Pre-Mixed options so you don't have to go across lots of options to get the level of diversification you want. Even our Sector options can be relatively diversified within the relevant sector, but are less diversified than our Pre-Mixed options.

Take our Australian Shares option for example. It's invested in well over 100 companies so there's considerable diversification there already.

NE: I agree. Some members feel that by having various super funds it means they're diversifying but what you'll tend to find is that many of them are investing in the same companies anyway. These members are not only duplicating on fees and costs but also potentially overcomplicating things and not even reducing the risk in their portfolio or necessarily achieving better returns.

JOHN, WHAT ARE SOME FEATURES OF UNISUPER'S APPROACH TO DIVERSIFICATION?

JP: We firstly use diversification as a way to access higher returns for the same level of risk. The best way I can describe it is by looking at our concentrated exposure to global healthcare and technology. These are fast growing sectors that are very profitable and we don't have any of that in Australia. We're not doing it to reduce risk *per se*, because they are still risky assets, but rather to access greater potential returns.

We're also careful not to over-diversify. Our Balanced option has 70% in growth assets and 30% in defensive assets so at a high level, it's diversified enough. When you look at the growth assets and split them up, you've got an allocation in global assets, Australian assets and property, so at that asset class level, you're also diversified.

DOES DIVERSIFICATION MAKE SENSE FOR ALL AGES?

NE: I think diversification is equally important no matter what age. The way you would apply it perhaps depends on what life stage you're in, so the way I think about it is picturing the classic balance scales.

You've got defensive assets on one tray and growth assets on the other. Typically, defensive assets provide more stable returns with lower levels of risk, and growth assets provide greater returns over the longer term but with greater risk levels and possibly more volatility.

These scales might tip one way or the other depending on where you are in life, as well as your general appetite for risk and the returns you seek. I think usually if you're younger, or have more time until you'll need to access your super, you might have more money on the growth side of the scales.

But as people head closer to retirement, the scales typically may tip more towards the defensive side where you become more reliant and dependant on the overall performance of the funds to achieve the desired level of income in retirement.

JP: I agree. There are merits to diversification no matter what your age.

IN SUMMARY, WHAT ARE THE MAIN PRIORITIES TO REMEMBER ABOUT DIVERSIFICATION?

NE: I'd suggest members need to consider how diversification fits into their overall strategy. Think about how long you have to invest.

Our younger members would have a longer timeframe which would then help guide their investment decisions. Our members who are very close to or already in retirement might take a different approach.

I'd say consider your assets outside of super as well. If you have cash (not set aside for expenditure), shares or property outside of super, then you need to consider that as well because you might be skewed to a particular asset class without realising.

JP: If I could say one thing to members, it'd be to not overcomplicate things. As superannuation professionals, a lot of our work is based around diversification theory. But technical models aren't a substitute for logic and common sense.

If someone likes residential real estate as an investment, that's fine. But buying two houses in the same street may not be a sensible way to diversify.

So it comes back to the age old wisdom we started with—don't put all your eggs in one basket.



KEY POINTS

- ❖ While diversification has its obvious benefits, it's not the answer to eliminating risk from an investment portfolio.
- ❖ For UniSuper, diversification is a means to an end with the ultimate aim being to increase returns for members for any given level of risk.
- ❖ Consider your assets outside of super when looking at how you diversify your investments.

See our website for more detail about the risk profile, returns and key assets of all our investment options.

The views expressed here are those of the individuals interviewed. These views are intended as general information only and do not take into account your personal circumstances, needs or objectives. 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 qualified financial adviser. To obtain a copy of the PDS relevant to your membership category, visit unisuper.com.au/pds or contact us on 1800 331 685.

Super myths

BUSTED

Most of us have heard a few finance furbies. But how do you separate fact from fiction—especially when some ideas and people seem so convincing? To help, we've put a few common super myths under the spotlight.



MYTH: SUPER FUNDS ARE ALL PRETTY MUCH THE SAME.

While it's true that most super funds offer similar things, when you scratch the surface there can be significant differences that can have a big impact on your benefits.

Three features that can have the biggest impact are the three factors that super ratings agencies compare and financial advisers look at when recommending various funds: investment performance, fees and insurance.

And at UniSuper, we compare pretty well. Earlier this year, leading ratings agency Chant West awarded us 'Super Fund of the Year' and 'Best Fund: Investments 2015' ahead of nine other finalists in each category.¹

This was after comparing our investments, member services, fees, insurance, administration and the organisation itself to more than 400 Australian funds!

Want to see for yourself? Compare your UniSuper account against a range of other funds using Chant West's Apple Check tool at unisuper.com.au.

MYTH: IF I DON'T HAVE ENOUGH SUPER, I'LL JUST RELY ON THE AGE PENSION TO TOP UP MY INCOME.

It's comforting to think of the Age Pension as a handy fall-back if your super piggy bank isn't quite full enough. But there's a catch to the whole pension thing: it's expensive to fund.

¹ See '2015 Winners and Finalists' at www.chantwest.com.au

That's one of the reasons the 'Superannuation Guarantee' (compulsory superannuation) was introduced in 1992. The government's goal is that over time, we'll shift from largely government-funded retirements to largely self-funded retirements.

With eligibility rules changing regularly over the years, the Age Pension may not be a guarantee you can rely on. This makes saving enough to enjoy a decent retirement income even more critical. Not sure if you're on track? Check at unisuper.com.au/reachyourgoals.

MYTH: MINIMUM SUPER CONTRIBUTIONS WILL BE ENOUGH TO SEE ME THROUGH. IT'S CALLED THE 'SUPER GUARANTEE' AFTER ALL!

The minimum amount of super contributions your employer must pay is currently 9.5% of your salary. These are referred to as 'Superannuation Guarantee' (SG) contributions.

Unfortunately, SG contributions alone may not be enough to fund a comfortable retirement for many Australians.² That's why the government has planned to incrementally increase the SG, though this has been postponed until 2021.

If you're not sure whether your contribution levels are enough, as a member you can use our online *Retirement adequacy calculator* to see if you're on track. You can also make regular additional contributions or periodic top-ups to boost your balance.

MYTH: I MIGHT HAVE OTHER SUPER OUT THERE SOMEWHERE, BUT IT'S TOO HARD TO FIND IT.

Fortunately, the days of digging through boxes of old papers are over. Now all you need to find lost super is your tax file number, your basic personal details, the internet and about two minutes.

Search 'find lost super' on our website to see if you've got an extra nest-egg waiting to be claimed.

MYTH: FINANCIAL ADVICE ISN'T AFFORDABLE.

If you're like many, you may think you can't

afford to seek financial advice. But did you know that UniSuper Advice offers a range of services, including affordable phone-based advice on a range of topics? Or that you can generally pay for super-related advice from your super account? The first consultation is also free and you'll receive a quote to help you decide whether to proceed.

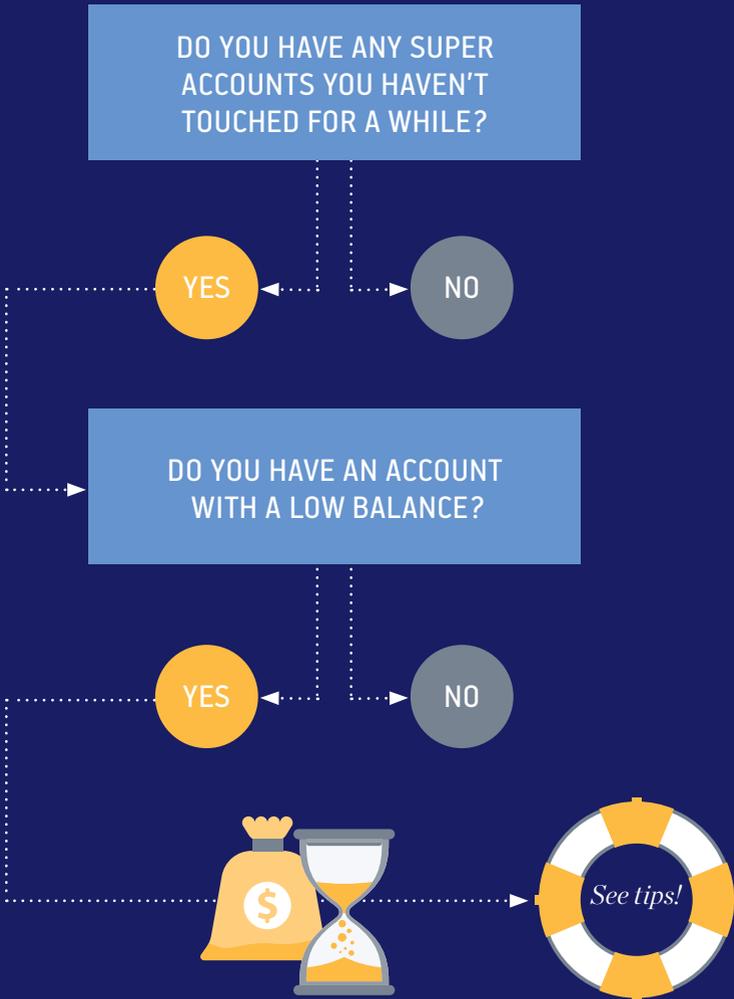
It may also surprise you to learn that UniSuper advisers don't receive commissions. What's more, they service all major Australian cities and have a solid understanding of the unique needs of the higher education and research sector.

"Now all you need to find lost super is your tax file number, your basic personal details, the internet and about two minutes."

² Australian Association of Superannuation Funds (2015) Cost of living stabilises, but policy changes may mean people need to save more super: ASFA Retirement Standard March quarter media release, 8 May 2015

Save *your* super!

If you answer 'yes' to either (or both) of the following questions, keep our tips in mind to help reduce the impact of fees and maximise your investment.



If you've collected more than one super account throughout your working journey, you're not alone. A lot of working Australians have multiple accounts¹, whether it's because they've chosen to diversify their super investment or just haven't gotten around to combining their funds.

But what happens when you let your account 'sit there'—especially if it has a low balance? In the worst case scenario, the fees you pay might outweigh investment earnings, and your balance might dwindle down to zero. Alternatively, your account might be rolled out to the ATO or a low fee, 'no frills' fund with limited or no investment choice or insurance.

One of the goals of the government's Stronger Super reforms was to reduce the number of super accounts people hold. This is mainly because it's costly to have more than one account (more accounts = more fees) and harder to keep track of your super.

To find out more, see 'Get your super together' at unisuper.com.au.

What can you do to avoid paying more fees than you need to or having your account closed?

There are a few things you can do, including:

1. COMBINING YOUR SUPER ACCOUNTS.

By combining, you'll only pay one set of fees and it will be much easier to keep track of your money. You can use our online tool to combine other super into your UniSuper account, but make sure you check your other funds' insurance cover and exit fees first.

2. KEEPING UP YOUR CONTRIBUTIONS.

If you've changed employers, you can ask them to pay your super contributions into your UniSuper account. If you're not working right now or are casually employed, remember that even small periodic contributions can help to maximise your investment and minimise the impact of fees.

3. USING OUR ELIGIBLE ROLLOVER FUND.

We regularly contact members with low balances who haven't used their account for some time, asking if they'd prefer their balance be invested in our eligible rollover fund, AUSfund. AUSfund is a lower-cost option, which helps to protect these balances, but it does not offer investment choice or insurance.

4. CHECKING YOUR INSURANCE.

If you want to have more than one super fund, compare your cover with each fund and consider whether you need to be insured by both funds. Our online *Insurance needs calculator* provides a guide to the type and level of cover you can apply for. Remember to seek financial advice before making any changes to your cover.

¹ Source: Australian Taxation Office (2015) 'Australians losing thousands in super fees annually: ATO' media release published 6 March 2015

A defined passion



As Head of Research and Quant Methods at UniSuper, actuary and investment professional David Schneider has been helping to create value for our Defined Benefit Division (DBD) members for almost 10 years. He recently spoke with us about his great passion for defined benefit plans.

WHY IS UNISUPER'S DBD ONE OF THE FEW REMAINING OPEN DEFINED BENEFIT PLANS IN AUSTRALIA?

Defined benefit structures around the globe are dying, and I think that's very unfortunate. They don't make sense to many companies who have to incorporate the profits and losses from their defined benefit plans into their income statements, which can distort their underlying business. As a consequence, more and more companies are ceasing to offer defined benefit plans.

One of the reasons I came to work with UniSuper was because it has an open defined benefit plan, and I strongly believe they're inherently good for most of our members.

HOW DOES YOUR ROLE TOUCH ON THE DEFINED BENEFIT DIVISION?

One of the favourite parts of my role is assisting the Chief Investment Officer and the Investment Committee to determine the DBD's investment strategy. My team and I do some really innovative and exciting work in this space. We need to consider how the DBD's liabilities are going to change over time, how the assets are likely to correlate to the liabilities, how the assets work together and how to group them to provide the best outcomes for members.

In an environment where we have low interest rates and lower than expected returns, we're working very hard to try to keep the fund in surplus. It's challenging, but that is by far the most enjoyable part of my role.

WHY CAN DEFINED BENEFIT PLANS BE GOOD FOR MEMBERS?

We can pool experience under a defined benefit arrangement. By pooling, we can smooth out market volatility, so that people get a better transition through to retirement. As a result, we can give members a greater degree of comfort about what they can receive in retirement.

WHAT ARE SOME OF THE ADVANTAGES OF BEING IN A DEFINED BENEFIT PLAN?

I think the key advantage is that it's a formula-based system that can generate a smooth increase in benefits that grow in line with a member's salary, age and service.

There is an advantage and a disadvantage to smoothing investment returns across different groups of members. The advantage is we can increase our allocation to growth assets and benefit from higher returns.

But there is a disadvantage. No matter how good our Board, Investment Committee and investment department are at managing the investment risk in the DBD, the liabilities are growing slowly over time and the assets, which are invested in market-linked securities, are volatile. That means that our funding level, or the difference between the assets and liabilities, changes over time. While we aim to achieve a smooth outcome, there are times when the funding level is in surplus and times when it's in deficit.

At any one point in time, we expect a difference between the assets and liabilities. However, over long periods of time, across many market cycles, we expect that these values will converge. That's the inherent nature of defined benefit plans. At UniSuper, we don't have the mechanism to increase contributions to address a funding deficit, and that means that under extreme conditions, we may need to reduce benefits.

A defined benefit plan isn't necessarily the best option for everyone. For example, it might not suit someone who is only working for a short time in the tertiary education sector, or is likely to have lots of time out of the workforce during their career. But for the average person who doesn't want to worry about their superannuation, it's important for them to know that there's a group of investment experts and actuaries who are managing everything behind the scenes and doing work they love. This allows our members to get on with what *they're* passionate about.

For all the latest information about the DBD, visit unisuper.com.au/dbdupdate.



NOT SURE IF YOU'RE IN THE DBD?

Check your latest benefit statement. For details of the different types of super we offer, see unisuper.com.au/unisuper-products.

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Changes to super

Legislative update

REFUND OF EXCESS NON-CONCESSIONAL CONTRIBUTIONS

The government has implemented last year's Budget proposal to allow individuals to withdraw non-concessional super contributions in excess of the non-concessional contributions cap from their super account. This applies to excess non-concessional contributions made from 1 July 2013.

Under this measure, you can request the release of all your excess non-concessional super contributions, plus 85% of any 'associated earnings', from an accumulation account or component¹ if there are sufficient funds. The full associated earnings amount will be included in your assessable income and taxed at your marginal tax rate, however you will receive a non-refundable tax-offset of 15% of the associated earnings amount.

The associated earnings amount is calculated by the Australian Taxation Office (ATO) and is not based on actual earnings, but the General Interest Charge (GIC) used by the ATO for tax administration. You can find out more about the GIC at [www.ato.gov.au/rates/general-interest-charge-\(gic\)-rates](http://www.ato.gov.au/rates/general-interest-charge-(gic)-rates).

If you choose to release your excess non-concessional super contributions, you won't be liable for the 49% excess contributions tax that otherwise applies to excess non-concessional contributions.

For more information on this measure, including the GIC, go to www.ato.gov.au and see the 'Super' section.

EARLY ACCESS TO SUPER FOR MEMBERS WITH A TERMINAL MEDICAL CONDITION

Effective 1 July 2015, the government has introduced a measure to allow more people with a terminal illness to access their super early.

Prior to 1 July 2015, people with a terminal illness could only access their super early if they could get certification from two medical specialists that they had less than 12 months to live. The government has changed this period to 24 months.

Important: There could be significant consequences to accessing your super early under this measure.

The certification period for UniSuper's inbuilt terminal medical condition benefits (DBD members only) and externally insured terminal illness benefits has not changed—both benefits currently require certification from two medical specialists that you have less than 12 months to live.

Accessing your super under the government changes may mean you forfeit eligibility for inbuilt terminal medical condition benefits and externally insured terminal illness benefits.

We strongly recommend you read the *Terminal medical condition benefit fact sheet* at unisuper.com.au/forms-and-documents/forms-and-brochures and call us on **1800 331 685** to discuss your options.

¹ You can't request a refund of excess contributions from the Defined Benefit Division

CHANGES TO THE ASSETS TEST FOR THE AGE PENSION

The government has increased the assets test 'asset-free area' and the rate at which the Age Pension reduces once this threshold has been reached. Effective 1 January 2017, this measure was first proposed in the 2015 Budget.

The assets test, together with the income test, is used to assess an individual's eligibility for the Age Pension.

The asset-free area is the maximum value of assets individuals can hold and still qualify for the full Age Pension. Once an individual's assets exceed the asset-free area, their Age Pension is reduced by what's known as the 'taper rate' for every \$1,000 of assets above the asset-free area.

The government also confirmed that the family home will continue to be excluded from the assets test.

CHANGES TO THE INCOME TEST FOR DEFINED BENEFIT PENSIONS

The government has also implemented this year's Budget proposal to cap the amount of defined benefit pension income that is exempt under the income test from 1 January 2016.

The income test, along with the assets test, is used to assess an individual's eligibility for the Age Pension.

Currently, the entire tax-free component of a member's defined benefit pension income (known as the 'deductible amount') is exempt from the income test.

The government has introduced an 'income deduction cap' to limit exempt income up to a maximum of 10% of the tax-free component.

FINANCIAL ADVISERS REGISTER ESTABLISHED

The government has established a register of individuals licensed to provide personal advice on investments, superannuation and life insurance. The 'Financial Advisers Register' allows you to check an adviser's qualifications and professional membership, employment history and which product areas they can advise on. It also includes details of any bans or disciplinary action taken against the adviser. You can access the register at www.moneysmart.gov.au. Go to Home > Investing > Financial advice > Financial advisers register.

TAX SYSTEM DISCUSSION PAPER RELEASED

Earlier this year, the government released a 203-page 'Re:think' tax discussion paper outlining its vision for a comprehensive reform of Australia's tax system. The paper seeks to improve the fairness of the tax system, including superannuation tax concessions.

After community consultation, the government will release a Green Paper and is likely to take any final recommendations to next year's federal election.

To find out more, go to bettertax.gov.au.

SOCIAL SECURITY – DEEMING RATES CHANGES

Deeming rates were lowered from 20 March 2015, as shown in the table below.

Deeming rates can be described as artificial interest rates Centrelink uses as an investment's assumed rate of return when assessing an individual's entitlement to the Age Pension and other government income support under the income test.

Deeming rules have been extended to include account-based pensions—including UniSuper's Flexi Pension—commenced from 1 January 2015. They also apply to account-based pensions commenced before 1 January 2015 if the account holder wasn't receiving an eligible government income support payment—such as the Age Pension—prior to this date.

FAMILY SITUATION	THRESHOLD	DEEMING RATES PRIOR TO 20 MARCH 2015	DEEMING RATES FROM 20 MARCH 2015
Single [^]	Up to and including \$48,000	2%	1.75%
	Above \$48,000	3.5%	3.25%
Couple [^]	Up to and including \$79,600 (combined)	2%	1.75%
	Above \$79,600	3.5%	3.25%

[^]Single rates are for a single person receiving a Centrelink pension or allowances. Couple rates are for a couple, one or both of whom are receiving a Centrelink pension. Different rates apply to members of a couple who are receiving Centrelink allowances but not pensions.

UniSuper update

CONTINUING TO ENHANCE OUR INVESTMENT APPROACH FOR THE SUSTAINABLE OPTIONS

Our Sustainable Balanced and Sustainable High Growth options currently use the Dow Jones Sustainability World Index and the Dow Jones Sustainability Australia Index to identify investable stocks for their international shares and Australian shares allocations respectively. As part of our commitment to continually review and enhance our investment approach, we will be looking to incorporate sustainability research and ratings from additional external research provider(s), and/or external fund manager(s), where appropriate. As a consequence, the universe of investable stocks may be broader than that defined by the Dow Jones Sustainability indices alone.

Further information on our investment approach for the Sustainable options will be available in the updated *How we invest your money* product disclosure statement (1 October 2015).

CHANGES TO THE STRATEGIC ASSET ALLOCATIONS OF OUR SUSTAINABLE OPTIONS

From 1 October 2015, the strategic asset allocation for our Sustainable Balanced and Sustainable High Growth options will be as follows:

SUSTAINABLE BALANCED	
Australian Shares	42%
Cash & Fixed Interest	30%
International Shares	24.5%
Australian Listed Property	3.5%
SUSTAINABLE HIGH GROWTH	
Australian Shares	60%
International Shares	35%
Australian Listed Property	5%

MYSUPER (BALANCED) OPTION

The MySuper return target will change from CPI + 4.8% to CPI + 4.9%.

INDIRECT COST RATIOS FOR THE YEAR ENDED 30 JUNE 2015

The indirect cost ratios (ICRs) for the year ended 30 June 2015 are now available online at 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.

REVISED RISK RATINGS

We've changed the risk ratings and expected frequencies of negative returns for a few of our investment options based on updated market data:

OPTION	CURRENT RISK RATING	NEW RISK RATING
Growth	High (Four negative years in 20)	High (Five negative years in 20)
Listed Property	High (Four negative years in 20)	High (Five negative years in 20)
Conservative Balanced	Medium to High (Three negative years in 20)	High (Four negative years in 20)
Capital Stable	Medium (Two negative years in 20)	Medium to High (Three negative years in 20)
Australian Equity Income	Very High (Six negative years in 20)	High (Four negative years in 20)
Australian Bond	Medium to High (Three negative years in 20)	High (Four negative years in 20)

FEE CHANGES EFFECTIVE MID- AND LATE-2015

Following a regular review of our fees and costs, a number of fee and cost changes will apply from 1 July 2015 and 1 October 2015.

Changes effective 1 July 2015

The changes effective 1 July 2015 are shown in the table below:

FEE NAME	FEE PRIOR TO 1 JULY 2015	FEE FROM 1 JULY 2015
Defined Benefit Division members		
Administration fee*	\$218 p.a.	\$221 p.a.
Defined Benefit Indexed Pension members		
Administration fee [^]	\$296 p.a.	\$301 p.a.
Commercial Rate Indexed Pension members		
Administration fee [^]	\$296 p.a.	\$301 p.a.

* This fee is not deducted from your account or benefit when paid, but is deducted from the pool of money used to fund all defined benefits.

[^] This change does not reduce your current level of pension payments. This is because administration fees are allowed for in the formula used to calculate your pension payments at commencement.

Changes effective 1 October 2015

The changes effective 1 October 2015 are shown in the table below:

FEE NAME	FEE PRIOR TO 1 OCTOBER 2015	FEE FROM 1 OCTOBER 2015
Accumulation 1 and 2, and Spouse Account members		
Administration fee	\$115 p.a.	\$96 p.a.
Flexi Pension and Term Allocated Pension members		
Administration fee	\$115 p.a. PLUS 0.30% of account balance per Flexi Pension or Term Allocated Pension account, capped at \$2,000 per account per financial year	\$96 p.a. PLUS 0.16% of account balance per Flexi Pension or Term Allocated Pension account, capped at \$1,250 per account per financial year
Flexi Pension – Transition to retirement (TTR) members		
Administration fee	\$115 p.a. PLUS 0.30% of account balance per Flexi Pension – TTR account, capped at \$2,000 per account per financial year	Nil for each TTR pension while you have an open super account* PLUS 0.16% of account balance per Flexi Pension account, capped at \$1,250 per account per financial year OR \$96 p.a. if you do not have an open super account* PLUS 0.16% of account balance per Flexi Pension account, capped at \$1,250 per account per financial year
Defined Benefit Division, Accumulation 1 and 2, Spouse Account, Flexi Pension and Term Allocated Pension members		
Switching fee	\$16.50	\$15.80

* This super account can be either an Accumulation 1 or 2, Defined Benefit Division or Spouse Account.

NON-LAPSING BINDING DEATH BENEFIT NOMINATIONS

Non-lapsing binding death benefit nominations will be available to Defined Benefit Division (death benefits paid as a lump sum only), Accumulation 1, Accumulation 2, Spouse Account, Flexi Pension and Term Allocated Pension members from 1 October 2015.

Currently, we only offer lapsing binding death benefit nominations, which expire after three years.

From 1 October 2015, you can choose to make a non-lapsing binding death benefit nomination if you're eligible. This type of nomination will not expire (unless you amend or revoke it), so it doesn't need to be confirmed or updated every three years.

Watch our website for details of how to apply once this becomes available.

AUTOMATIC UPDATES TO LEVEL OF INCOME PROTECTION INSURANCE COVER FOR ACCUMULATION 2 MEMBERS

Automatic income protection insurance cover updates came into effect on 1 July 2015 to help keep the cover of eligible Accumulation 2 members up to date.

Income Protection cover can protect up to 85% of your pre-disability income, including up to 10% super. Subject to the automatic acceptance limit, if you're an eligible Accumulation 2 member, the level of Income Protection insurance cover you're entitled to is automatically updated twice a year in line with changes to your salary, unless you opt out or make changes to your cover yourself.

You can opt out using MemberOnline (unisuper.com.au/mol) or by completing the *Changing your insurance cover* form.

For more information, see the *Insurance in your super* booklet, which is available at unisuper.com.au/pds.

ON-CAMPUS CONSULTANTS NOW AUSTRALIA-WIDE

On-campus consultants are now available to UniSuper members at all of our 36 member universities, through either a permanent presence on campus, scheduled on-site appointments or the use of technology such as video conferencing.

Your on-campus consultant can provide you with face-to-face support, including:

- general advice and information about your membership and account
- explaining how to set up online access to your account
- helping you understand super contributions (including salary sacrifice) and contributions caps
- directing you to other services and tools provided by UniSuper
- answering general questions about our forms or paperwork.

To find out if an on-campus consultant is available at your campus and to book your appointment, check your university specific page at unisuper.com.au/employers/universities.

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. To view the report, visit our website at unisuper.com.au/about-us/about-unisuper/governance-documents.

UNISUPER APPOINTS NEW MASTER CUSTODIAN

Earlier this year UniSuper announced the appointment of BNP Paribas Securities Services (BNP Paribas) as the Fund's new master custodian.

Our custodian is responsible for the safekeeping of many of the assets we hold on behalf of our members. It also provides a range of reporting and administrative services that support our finance and investment activities and help us meet our regulatory obligations.

BNP Paribas will replace NAB Asset Servicing, with whom UniSuper partnered with for more than 20 years.

Trust Deed changes

The following amendment has been made to the UniSuper Trust Deed and Regulations, which govern how the Fund operates.

ENABLE THE TRUSTEE TO OFFER NON-LAPSING BINDING DEATH BENEFIT NOMINATIONS TO ELIGIBLE MEMBERS – EFFECTIVE 1 OCTOBER 2015

Under the UniSuper Trust Deed, UniSuper allows eligible members to make binding death benefit nominations in regards to the distribution of their super benefit after their death. These types of nominations require the Trustee to pay the member's death benefit to the member's nominated beneficiaries, and expire after three years (unless renewed prior to the expiry date). If the nomination is invalid or has lapsed at the member's death, any death benefit payable will be distributed at the Trustee's discretion.

The Trust Deed and Regulations have been amended to enable the Trustee to offer a second type of binding death benefit nomination—non-lapsing binding death benefit nominations. Non-lapsing nominations are essentially binding nominations that do not expire.

Non-lapsing nominations provide members with certainty about who will receive any benefits payable in the event of their death, and remove the inconvenience of having to renew a lapsing nomination every three years.

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SuperRatings, a superannuation research company, has awarded UniSuper a 10-year Platinum Performance rating for its Accumulation 1 and Accumulation 2 products in 2015.

Go to www.superratings.com.au for details of its rating criteria. SuperRatings does not issue, sell, guarantee or underwrite this product.



Chant West has awarded UniSuper a 5 Apples rating for its Accumulation 1 and Accumulation 2 products in 2015, and 'Super Fund of the Year' and 'Investments Best Fund' in its 2015 awards. For further information about the methodology used by Chant West, see www.chantwest.com.au.

Chant West has given its consent to the inclusion in this document of the references to Chant West and the inclusion of the logos and ratings or awards provided by Chant West in the form and context in which they are included.

Issued by: UniSuper Management Pty Ltd (ABN 91 006 961 799), Australian Financial Services Licence No. 235907 on behalf of UniSuper Limited, ABN 54 006 027 121, the Trustee of UniSuper, Level 35, 385 Bourke St, Melbourne Vic 3000. UniSuper: ABN 91 385 943 850

Trustee: UniSuper Limited, ABN 54 006 027 121/MySuper Authorisation No 91385943850448

Date: August, 2015

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.

This information has been prepared to provide members with general information only and includes general advice. Any advice in this newsletter 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 qualified financial adviser. To obtain a copy of the PDS relevant to your membership category, visit unisuper.com.au/pds or contact us 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 unisuper.com.au, access the Financial Services Guide and, for any further enquiries, contact us on 1800 331 685.

Any views expressed by third parties are those of the third party and not UniSuper.

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