UniSuper Super Informed

JULY 2015

Savouring the world from a bicycle seat

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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.

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 pension members will pay less for our products and services from 1 October 2015, when we'll be reducing our administration fees for Flexi Pension and Term Allocated 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 *Your guide to pensions* product disclosure statement 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.

Savouring the world from a bicycle seat

With a lifelong interest in travel, Tony McKittrick, former Director of International Relations at RMIT, knew exactly what he'd do with his hard-earned retirement savings when the time came. Now on his third overseas cycling trip with his wife Virginia Laurinaitis, he hasn't looked back.

When we retired we planned to go to Europe every year, to visit Virginia's family in Lithuania and because I've had a lifelong interest in Europe. But my interest in travel really started through my great aunt Lily, who back in the '50s would go on overseas voyages with her husband and come back with stories of exotic places and gifts like cuckoo clocks for the family.

On our first trip after retirement, we visited the US, Lithuania, Germany, Luxembourg and France. The highlight was cycling in France, particularly visiting Mont Saint-Michele, which is an abbey on a little island just off the coast of Brittany. You walk across a causeway to get there and it just rises up sheer out of the sea—it's quite magnificent.

We also cycled through the Loire Valley and because it was the high summer season, we booked our accommodation ahead. We had to ride all day in the rain to reach our hotel in the next town and when we arrived, we stood in our own small puddle at the reception desk, dripping all over the place.

But once we parked our bikes, we checked into our room and had a lovely hot shower. We asked the hotel proprietor where they'd recommend to eat. They said, "Oh just go next door". We had the most magnificent dinner that evening. We were warm and dry and comfortable, and having that contrast made the good things even better.
Last year we rode the Via Augusta from Munich to Venice. Cycling through the mountains, that was superb. You've got the very high Alps with snow-capped peaks, beautiful lakes, beautiful little towns and villages with churches and market squares, and rushing rivers.

All your senses are operating when you're on a bicycle. The beautiful vistas, the smell of the orange blossom or whatever it happens to be ... sometimes you might smell a cow barn. And the birdlife is fantastic. And the food—cycling certainly heightens your senses so the food tastes better and so on.

I really enjoy planning the trip, doing the research, putting it all on a spreadsheet—that's half the fun. It also means that you know a little about the place before you get there—though local knowledge is always good.

"Planning the trip, doing the research, putting it all on a spreadsheet—that's half the fun."

When you're on a bicycle people stop and talk and ask you about your bike—particularly because our bikes are interesting looking. They're called Bike Fridays and they have smaller wheels to enable the wheels to fit inside a standard Samsonite suitcase.

You certainly need to be quite flexible when you ride so much, so when we're home we go to the gym Monday to Friday. We've realised that it gives us a weekly cycle, to use a pun.

One of the things I was missing about work that I did enjoy was the weekly cycle. You know, it's Friday and you have that feeling that you're coming to the weekend and you've got a couple of days off. The reverse of course is that it's Sunday and you're thinking, "Oh I gotta go back to work tomorrow". For us it's back to the gym—and that's our job!

FIND OUT MORE
Interested in how other retired UniSuper members are living their life their life these days? Go to **unisuper.com.au/in-retirement.**

How might changes to the Age Pension means test affect you?

The government has introduced important changes to the Age Pension means test that are likely to have consequences for many retirees. One change is relevant only to those with a defined benefit indexed pension, while the others relate to all individuals receiving an Age Pension.

The changes, which were announced in the Federal Budget 2015, include:

- increasing the 'assets-free area' for everyone receiving an Age Pension (see page 7)
- increasing the 'taper rate' of the assets test for part pensioners (see page 8)
- changing the income test for defined benefit pensions (see page 10).

Increasing the assets-free area – effective 1 January 2017

The government will increase the assets test 'asset-free area' from 1 January 2017, as shown in the table below. The asset-free area is the amount of assessable assets you can have and still qualify for the full Age Pension.

The changes to the assets-free area will mean some part pensioners will receive a higher pension or even the full pension.

ASSETS TEST ASSET-FREE AREAS – PRE- AND POST-1 JANUARY 2017

	Lower threshold to 31 Dec 16	Lower threshold from 1 Jan 17
Single homeowner	$205,500	$250,000
Single non-homeowner	$354,500	$450,000
Couple homeowner	$291,500	$375,000
Couple non-homeowner	$440,500	$575,000

Source: *Social Services Legislation Amendment (Fair and Sustainable Pensions) Act* 2015

Increasing the taper rate of the assets test – effective 1 January 2017

The government has also changed the taper rate of the assets test that will apply from 1 January 2017. This is the rate at which the Age Pension is reduced for every $1,000 of assessable assets above the asset-free area.

Currently, the taper rate is $1.50 per fortnight per $1,000 of assessable assets above the asset-free area. Under the changes, from 1 January 2017 the taper rate will double to $3.00 for every $1,000 of assessable assets above the asset-free area.

Changes to the taper rate will have the effect of decreasing the amount of assessable assets that people may hold and still receive the Age Pension.

The actual level at which the cut-off point will reduce as a result of changes to the asset-free area and the taper rate will not be known until after September 2015, when the Age Pension is set to be indexed.

WHAT DOES THIS MEAN?

The changes to the taper rate may mean some part pensioners will have their pension reduced, while others will lose it all together.

An announcement of the proposed changes ahead of the 2015 Federal Budget included estimates of how the changes may impact individuals' Age Pension entitlements.

The table below shows how the changes may impact your Age Pension entitlements if you're part of a homeowner couple.

AGE PENSION FROM 1 JANUARY 2017 UNDER CHANGES TO THE ASSETS TEST

Assessable assets	Reduction (increase) in pension income received from 1 Jan 17
$200,000	$0
$400,000	($2,009)
$600,000	$5,792
$800,000	$13,592
$1,000,000	$7,565
$1,200,000	$0

Source: Morrison, S. (2015) 'Fairer access to a more sustainable pension' media release published 7 May 2015

Anyone who loses their pension entitlement on 1 January 2017 under these changes will automatically be issued with a Commonwealth Seniors Health Card or a Health Care Card for those under Age Pension age. This will ensure they continue to receive concessional rates on pharmaceuticals.

Minimising the effect on your Age Pension

THINGS YOU MAY CONSIDER

These changes affect people differently. Individuals with lower levels of assessable assets might receive slightly higher Age Pension payments, while those with higher levels of assessable assets might have their payments reduced or even cut off.

If you hold a higher level of assessable assets and your Age Pension is reduced, it's worth reviewing any pension(s) you receive from UniSuper or other super funds to determine whether it's appropriate to increase your pension payment amount to maintain your current income.

ARE YOU AFFECTED?

We strongly encourage you to seek financial advice on this complex topic if you believe you may be affected. If you would like to speak to an adviser, you can call UniSuper Advice on **1300 331 685** between 8.30am and 5.30pm Monday to Friday (Melbourne time) or email **advice@unisuper.com.au**.

Changes to the Income Test for defined benefit pensions – effective 1 January 2016

The government has also enacted a policy to cap the amount of defined benefit pension income that is exempt under the income test.

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 now capped the amount exempted under the income test at 10% from 1 January 2016.

WHAT DOES THIS MEAN?

This measure could mean that a larger proportion of the income an individual receives from a defined benefit pension will be assessed under the income test. This could reduce affected members' Age Pension entitlements.

The government has confirmed that the changes apply to all defined benefit pensions, including our Defined Benefit Indexed Pension. Also, there will be no 'grandfathering' of existing pensions commenced prior to 1 January 2016 (i.e. they will be assessed under the new rules).

MINIMISING THE EFFECT ON YOUR AGE PENSION –THINGS YOU MAY CONSIDER

If you are currently receiving the Age Pension and are subject to the income test, this measure may mean that your Age Pension could be reduced because additional income from your defined benefit pension will be assessed.

The likely change to your pension is extremely hard to quantify, and in many instances, may be quite small. However, this measure has the potential to affect you if you have large amounts of tax-free income in your pension payments. Therefore, we encourage you to seek specialist advice about the likely effect of this announcement on your UniSuper pension.

WANT TO KNOW MORE?

If you'd like to learn more about how these changes may affect you, you can call UniSuper Advice on **1300 331 685** between 8.30am and 5.30pm Monday to Friday (Melbourne time) or email **advice@unisuper.com.au.**

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 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.

If a member is already receiving a Defined Benefit Indexed Pension or has access to one upon retirement, when formulating a diversification strategy it would be worth thinking about the bigger picture in terms of how this pension may impact their diversification strategy.

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.

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 with a defined benefit indexed pension available for members who joined prior to 1 July 1998. I strongly believe defined benefit plans are 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 to members who are still working or have already retired.

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.

CAN YOU TELL US MORE ABOUT DEFINED BENEFIT INDEXED PENSIONS?

The beauty of the DBD is we have a pool of money that gets shared between generations of members. With regards to investment returns, we're able to use this pooling mechanism to smooth investment returns, providing a retirement product to members that is both predictable and protected from direct market volatility. Pooling also assists our indexed pension members against longevity risks. This occurs as some of our members live much longer than we expect, and unfortunately some of our members die sooner than we expect.

Members who have a Defined Benefit Indexed Pension know they will receive a regular income every month for life—this means they don't need to worry about the risk that they will outlive their savings.

Another consideration is that current interest rates are extremely low as a consequence of the government trying to stimulate the economy. If you're trying to purchase an annuity today, it can be expensive compared to prior years. Our Defined Benefit Indexed Pensions were designed back in the 1980s and they compare very favourably to many income streams on offer in the market today.

As you can tell, I'm a big advocate of defined benefit plans and I believe it's difficult to find a strategy as effective as receiving a UniSuper defined benefit indexed pension for those who retire in good health.

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

DID YOU KNOW?
We offer pensions to suit both DBD and Accumulation members. Interested in learning more about your options? See **unisuper.com.au/planning-for-retirement/unisuper-pension-options.**

The views expressed here are those of the individual 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.

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 component[1] 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.

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.

To find out more about how these changes may affect you see pages 7 to 9.

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.

To find out more about how these changes may affect you see page 10.

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/forms-and-documents/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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SUPER RATINGS

7 YR PLATINUM PERFORMANCE 2008–2015

SUPERRATINGS PLATINUM PENSION 2015

SUPER OF THE YEAR FINALIST 2015

INFINITY RECOGNISED 2015

SuperRatings, a superannuation research company, has awarded UniSuper a 7-year Platinum Performance rating for its Flexi Pension product 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

5 Pension 2015

Investments Best Fund 2015 Winner

Chant West has awarded UniSuper a 5 Apples rating for its Flexi Pension product in 2015, 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.
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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.

UniSuper is referred to as UniSuper or the Fund. UniSuper Ltd is referred to as UniSuper or the Trustee.