

> FEBRUARY 2012

Super Informed

Inside this edition:

Message from the Chief Executive Officer	2
Investment update	3
Investment in focus: Australian Equity Income	4
What members want: Enhancements to products	6
Meet a UniSuper financial adviser	7
Important information for members	8
Fees update	9
Changes to super	10
Stay in control of your super with MemberOnline	12
Winner of August iPad promotion	12

Message from the Chief Executive Officer



2011 proved to be a difficult year for investors, and investment market volatility has continued into 2012. Despite this, and with several new initiatives planned for the coming year, I am confident UniSuper is well positioned to support our members to meet the challenges ahead.

Achievements in 2011

Reflecting on 2011, we made some significant improvements to our service offering and the value for money we deliver to our members.

We improved the way we communicate with you by launching *Super Informed* eNews. Our regular email newsletter contains valuable, relevant and interesting

Subscribe to *Super Informed* eNews by updating your email address via MemberOnline or by calling our Helpline on 1800 331 685.



information about superannuation and broader financial issues, and has been well received by members. I encourage you to supply your email address, if you haven't already, to start receiving your copy.

UniSuper Pension members benefited from product enhancements that gave them more choice about the frequency of their payments, the ability to switch investments more regularly, the introduction of reversionary beneficiary nominations, and more.

The year ahead

There are also several new developments to look forward to in 2012. The Government's plans to reform the superannuation industry (see page 10), combined with member feedback, have prompted some positive changes to UniSuper's products and services.

UniSuper's fees will become more competitive in April when the administration fee for Accumulation 2, Flexi Pension and Term Allocated Pension accounts will be reduced. You can read our complete fee update on page 9.

You've told us you want more flexibility and choice in the way your super and pensions are invested, and we've listened.

To cater for the varying needs and interests of our members, we're introducing three new investment options – Global Environmental Opportunities, Australian Equity Income and Global Companies in Asia. You can read more about the Australian Equity Income option on page 4.

We will also restructure our investment menus and you'll be able to choose any combination of investment options from one or both menus without incurring a fee.

Pension members will be able to nominate from which investment options their pensions are paid, from a range of drawdown options. Read more about these and other enhancements to our products on page 6.

DBD update

You might recall that I wrote to all members in December last year regarding our Defined Benefit Division (DBD). I explained that the Trustee board had triggered a further monitoring period under Clause 34 of the Trust Deed.

We are continuing to take proactive steps to manage the long-term financial health of our DBD, particularly given recent market volatility.

It's important to note that no decision has been taken to reduce member benefits under Clause 34. The Trustee expects that any decision to reduce or not to reduce defined benefits under Clause 34 is some time away – most likely the first quarter of 2013. We will continue to communicate developments with our 81,000 DBD members.

UniSuper's Accumulation and Flexi Pension members are not affected by the financial health of the DBD.

You can find more information about the financial health of the DBD, including an update on the DBD's investment strategy, at www.unisuper.com.au/dbdupdate.

Our commitment to you

As the only superannuation fund solely dedicated to people in the higher education and research sectors, we remain committed to offering you great value, excellent service and relevant choice throughout your working life and into retirement. I hope you find this edition of *Super Informed* enjoyable and informative.

Terry C. McCredden
Chief Executive Officer

Investment update

UniSuper's investment team provides a market update for members.

2011 proved to be a tough year for sharemarket investors. Australian shares, as measured by the ASX 300 Accumulation Index, fell by 11% over the period, reflecting sovereign debt problems in Europe, lower commodity prices and a high Australian dollar. While international developed market shares fared significantly better, with the hedged MSCI World ex-Australia Index returning -1.9%, emerging and Asian share returns for the period were substantially lower. The Shanghai Composite, for example, was down around 21% for the year.

In contrast, falling interest rates in most regions of the world saw fixed interest markets record strong positive returns. These returns, however, only partially offset the losses from shares, resulting in a return for the UniSuper Balanced option of -2.9% for the year to 31 December 2011¹. This return was below the SuperRatings median² due to the option's overweighting to equities and exposure to emerging Asia. While these positions have been unfavourable of late, we remain confident that they will add significant value over the long term. In this regard, the Balanced option remains a top quartile performer² over the seven years to 31 December 2011.

Past performance is not an indicator of future performance.

¹ Net of investment expenses and fund taxes but gross of account-based fees.

² Based on the SuperRatings survey published on 20 January 2012 for the period ended 31 December 2011.

Want more?



Statements

For more on how your investment options are performing, take a look at your benefit statement.



Online

For up-to-date investment news and regular monthly commentary please refer to the investment section of our website at www.unisuper.com.au/investments



Email

Get timely updates from our Chief Investments Officer, John Pearce, in our regular *Investment Update* email. Subscribe by updating your email address via MemberOnline or by calling our Helpline on 1800 331 685.

Investment in focus: Australian Equity Income

Providing our members with greater investment choice is a key focus of the product enhancements planned for April 2012.

The three new investment options we're introducing are designed to cater for members who want exposure to more specific and special interest investment areas – namely Australian Equity Income, Global Companies in Asia, and Global Environmental Opportunities. Here, we take a closer look at the Australian Equity Income investment option.

What is the option's investment objective?

The Australian Equity Income option seeks to provide investors with a grossed-up income yield well in excess of the Australian share market yield as defined by the S&P/ASX 300 Index (this yield was 6.6% grossed-up as at 31 December 2011).

This option also provides investors some capital growth potential, however, it is very important to acknowledge that the income generation target of this option will be the key focus and priority.

What is a franking credit and grossed-up yield?

The gross yield incorporates the benefit of franking credits which is the benefit shareholders receive if the company has already paid tax on the dividend, so the shareholder receiving it will not have to pay that tax again.

The chart below illustrates the historical yield (red line) and grossed-up yield (green line) of the ASX 300 over the last 10 years. The really interesting point here is that yields have been quite stable considering the turmoil and uncertainty that has occurred both politically and economically over this period. Another point of note is the significantly higher yield of the ASX 300 versus the S&P 500 (an index measuring the US share market). The yield of the S&P 500 is represented by the purple line.

The difference in yields can be explained in part by the higher weighting in financial services within the Australian share market, which is a sector that typically distributes higher dividends relative to more growth-oriented sectors such as IT. Australia's dividend imputation (i.e. franking) tax regime also incentivises companies to pay fully franked dividends.

What is the option's investment strategy?

The investment strategy of the Australian Equity Income option is to select companies with income yields that we expect to be greater than the income yield of the Australian share market, and which we expect to be sustainable over the medium to long term.

The option will mostly comprise of shares which are in the top 100 Australian companies listed on the Australian Stock Exchange. The option will also have the ability to invest in 'income securities' (e.g. preference shares, convertible notes, bond issuances) from the same universe of companies.

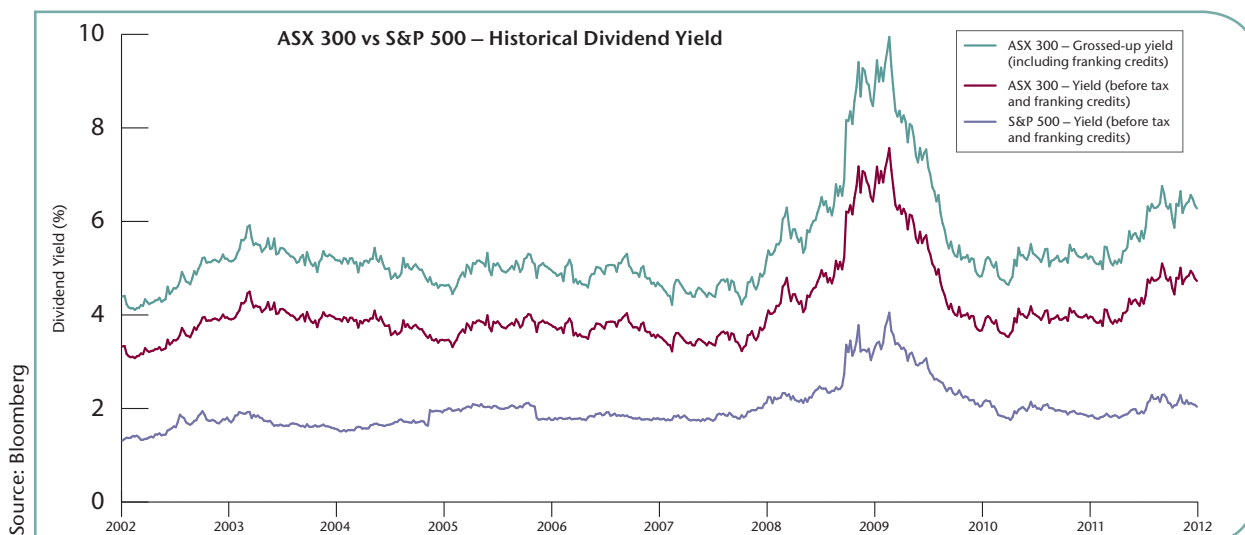
These types of securities can offer higher income returns than dividends alone, and are typically less volatile than ordinary shares. Generally speaking, they will rank higher in a company's capital structure than ordinary shares, which means a lower risk of capital loss. However, in times when the equity market is rising strongly, these securities will not see the same sort of capital appreciation as ordinary shares.

In assessing whether or not a particular security is appropriate for this option, UniSuper will analyse a range of factors to determine whether the forecast dividend (or coupon) will actually be paid, and more importantly, the expected sustainability of those dividends in the future. The financial factors assessed will include the company's earnings potential, its cash flow generation and the strength of its balance sheet. These obviously need to be strong and stable in order to sustain high dividends.

Other key factors assessed by UniSuper will include the company's position within its given industry, and the overall health of that industry. UniSuper will typically avoid companies and/or industries which are experiencing severe cyclical or systemic deterioration, as it generally will mean the company's financial strength could also deteriorate in the future, as will its ability to pay dividends. Similarly, UniSuper will review a given company's management and Board of Directors, to see if they have a reliable track record in paying dividends to shareholders.

How sustainable are these dividend yields?

There are many well-managed Australian companies which have strong balance



Past performance is not an indicator of future performance.

Dividend Yield at different tax rates	Tax rate				
	0%	10%	15%	30%	46.5%
Investment	10,000	10,000	10,000	10,000	10,000
Dividend income	642	642	642	642	642
Dividend Yield	6.4%	6.4%	6.4%	6.4%	6.4%
Franking credit (non-cash)	275	275	275	275	275
Dividend (grossed-up for franking credits)	917	917	917	917	917
Grossed-up Dividend Yield	9.2%	9.2%	9.2%	9.2%	9.2%
Tax Payable	—	92	138	275	426
Less Franking Credit offset	(275)	(275)	(275)	(275)	(275)
Net Tax Payable	(275)	(183)	(138)	0	151
After tax income	917	825	780	642	491
After Tax Yield (including franking credit)	9.2%	8.3%	7.8%	6.4%	4.9%

Assumptions: Corporate tax rate = 30%, Dividends paid are fully franked

sheets, good cash flows and high dividend payout ratios – this means they return a significant proportion of their profits back to shareholders in the form of dividends. This is in fact a differentiating and very positive feature of the Australian share market versus its international peers, and has been for some time. Of course not all Australian companies and their Boards of Directors are ‘shareholder friendly’ in this regard – UniSuper will be very focused on excluding these sorts of companies when managing this investment option.

There has also been significant research (both academic and market) which suggests that stocks with high dividend yields and, critically, strong financial fundamentals that can sustain these dividends (such as relatively stable profits, a strong balance sheet and cash flows) have historically delivered returns in excess of the share market average over the longer term. Not surprisingly, these stocks often perform relatively well in times of uncertainty and can sometimes be referred to as ‘defensive stocks’. Of course, past performance is not an indicator of future performance.

What are the risks?

The key risks associated with this product are as follows:

1. Potential for capital loss

While the focus of the option will be on stocks which are expected to be more defensive and higher yielding, the Australian Equity Income option will still be exposed to equity markets and subject to fluctuations in capital values.

2. Company dividends may be cut

While the companies targeted for inclusion in the portfolio are expected to sustain and grow their dividends, history shows that even

the highest quality companies may cut their dividends, typically in times of economic recession. However, it is also fair to say that most of these companies would be expected to bounce back when economic conditions improve.

3. Potential to underperform in an absolute sense when markets rally significantly

Due to the yield (or income generation) focus of this strategy, the option is relatively ‘defensive’ in nature (i.e. we would generally not expect this option to fall in value as much as the market average in share market downturns). Conversely, when share markets are experiencing a sharp rally (i.e. in a ‘bull market’) it is highly likely this option will not go up by as much in terms of capital growth. The option’s exposure to the resources sector is quite low as typically these companies do not pay high dividends; it is often the case that in strong bull markets the resources sector will outperform the more defensive sectors.

Who should consider this option?

In considering whether the Australian Equity Income option is for you, members should consider factors including:

1. Risk tolerance: Are you seeking capital growth or are you more income focused?
2. Personal considerations such as your tax rate.

The ‘defensive’ characteristic of this option means it will not generate capital growth as great as some other equities strategies. However, it seeks to limit downside losses as the companies selected are believed to be financially sound and are expected to offer a sustainable dividend yield. Consequently, we would expect that any sell off in equity markets will generally impact these

companies less than say a company highly leveraged to commodity prices.

The benefit from franking credits for lower tax paying investors such as pensioners should also be taken into consideration.

The above table illustrates how a hypothetical \$10,000 investment in (say) Commonwealth Bank of Australia ordinary shares, which has delivered an assumed annual fully franked dividend of \$642, can result in a different after-tax yield for different investors, depending on their marginal tax rate.

As shown above, the lower the tax bracket you are in, the greater the benefit from franking credits. A member of a super fund receiving a pension (i.e. where there is effectively 0% tax paid) receives an after tax yield of 9.2%, whereas an individual who pays 30% (equivalent to the company tax rate) receives an after-tax yield of 6.4%. This is equal to the pre-tax dividend yield as no further tax is required to be paid on the dividend distributed. A superannuation fund member in the accumulation phase (i.e. where a concessional tax rate of up to 15% applies) will receive a significant boost in its after-tax returns due to the franking credits.

Consultations should be made with your financial adviser before entering into any new financial arrangement.

You can find out more about your investment choice and UniSuper’s investment menu at www.unisuper.com.au/investments

What members want: Enhancements to products

At UniSuper, we're always asking our members whether they're satisfied with our product offering and how we can make improvements. We've heard that you want greater flexibility and choice in the way your super is invested.

Given the diversity of our membership, we recognise that our members have varying needs and interests. That's why, in the coming months, we're introducing extra features and functionality to our accumulation and pension products that will provide you with more options and greater control over the investment of your super.

Below is a summary of the changes we intend to implement, effective from 21 April 2012.

1. Three new investment options

We'll introduce three new investment options that reflect particular themes. These investment options will be Global Environmental Opportunities, Australian Equity Income and Global Companies in Asia. Refer to our website for full details when the options are made available.

2. Changing the name of our Australian Fixed Interest investment option

The Australian Fixed Interest investment option will be renamed Australian Bond to more clearly reflect the underlying assets – 100% Australian corporate and government bonds. The underlying asset allocation and investment strategy will not change.

3. Changes to our investment menus

The investment menu will be restructured so that the Pre-Mixed menu contains the diversified options and the Sector menu contains the single asset class options. You are able to choose any investment options from either or both of the investment menus.

It's up to you whether you take advantage of these changes when they are introduced – you don't need to do anything if you are happy with your super the way it is. However, if you want to take greater control of your super, you will have the option.

More information will be available on the product overview page of the UniSuper website when the changes are introduced. If you have any questions, you can call our Helpline on 1800 331 685.

4. More investment choice

Investment choice for future contributions

With the introduction of this functionality, you will be able to choose a future contributions strategy which will be used to invest all future contributions to your account, and which can be different from the investment options for your existing account balance. If you don't make a choice, your current investment allocation for contributions will become your future contributions strategy.

Investment choice for rollovers

This enhancement will let you select an investment strategy for rollovers into your account that is different from the investment options for your existing account balance and your future contributions investment strategy. If you don't make a choice, your rollovers will be invested in the same way as your contributions.

Investment choice for existing account balances

You can continue to switch your investments for your existing account balance, independently of your future contributions strategy or your rollover strategy.

5. Separate binding death benefit nominations

If you have more than one UniSuper account, for example, if you have a super account and a Flexi Pension account, you will be able to make a separate binding death benefit nomination for each account.

6. Greater pension drawdown options

Pension members invested in more than one investment option will be able to nominate which investment options their pension payments are paid from by choosing one of the following methods:

- **Your choice** – payments are drawn from the investment options in an order specified by you.
- **Pro rata** – payments are drawn from the investment options in proportion to the balance in each investment option at the time of withdrawal.

If you don't nominate one of these methods, your pension payments will be drawn down in the default order outlined in the PDS.

7. Advice fees paid from your account

UniSuper Advice is a financial planning service made available to UniSuper members through UniSuper Management Pty Ltd (ABN 91 006 961 799 AFSL 235907). UniSuper Management Pty Ltd is licensed to provide financial advice services.

Flexi Pension and Term Allocated Pension members who seek financial advice through UniSuper Advice may be able to deduct all or part of their financial advice fees up to \$770 (including GST) directly from their pension accounts if the advice provided relates to their UniSuper membership or other superannuation matters.

Meet a UniSuper financial adviser



UniSuper members have access to UniSuper Advice, a financial planning service provided through UniSuper Management Pty Ltd ABN 91 006 961 799 AFSL 235907.

Cameron Seidel is a financial adviser with UniSuper Advice in our Melbourne office. We asked Cameron a bit about himself, and about some of the typical strategies he covers with his clients.

How long have you been a financial adviser?

I've been a financial adviser for around 10 years and have been directly involved with the industry superannuation fund sector for the past six. During this time, I've had the opportunity to assist many people to meet and maintain their individual retirement income needs. I specialise in pre and post retirement planning, so I can also assist members to maximise their Centrelink entitlements to supplement their own self-funded retirement income.

What qualifications do you hold?

I am a Certified Financial Planner and have a Bachelor of Business, Master of Business Administration and a Diploma in Financial Planning.

Tell us something interesting about yourself.

Outside of work, I'm an avid golfer so you'll more often than not find me out on the fairway in my spare time.

What are the main things I should be thinking about when it comes to my super?

Here are a few things I ask my clients to consider:

- **Have a retirement plan**

Do you want to stop work completely at a certain date (once you're eligible) or would you prefer a more gentle 'transition to retirement'?

If you're over age 55, not yet ready to retire, but wish to reduce your working hours without reducing your income, a

transition to retirement (TTR) option may suit you. This involves drawing on part of your super as a pension to substitute any income you lose reducing your working hours. Some clients find this a good way to achieve a greater work/life balance whilst still maintaining their career.

Alternatively, if you plan to retire and don't intend on going back to work once you have reached preservation age, you may prefer to access your super (either as a pension or lump sum) - and that's also worthy of a plan.

- **Ensure your investment options match your goals**

Particularly towards the end of your career, the investment options you're invested in through your super can impact your overall retirement and financial goals. Members should ensure that any investment options they choose match both their risk profile and investment horizon. If you're unsure about the combination of investment options or assets that suit you, it's best to get professional financial advice.

- **Protect your retirement strategies**

The best laid plans can fail when suddenly your ability to work and continue to grow your retirement savings and work towards your financial goals is compromised. That's why I recommend clients have appropriate life insurances in place. In many cases you may be able to access insurance such as income protection through your super fund.

- **Update your beneficiaries**

Because binding death benefit nominations expire every three years, it's important that you keep your beneficiary nomination up to date to ensure your death benefit is paid to exactly whom and in what proportion you wish in the event of your death. When it comes to nominating a beneficiary there are a few options available to members, depending on the type of account you hold with UniSuper, so it's best to check the product disclosure statement relating to your account type.

If you don't make a binding death benefit nomination, or if your nomination is invalid, your death benefit will be paid to

one or more dependants and/or legal representatives in proportions determined by the Trustee.

What happens to my super when I retire?

When you retire, you can choose to access your super as a lump sum, a regular income stream (pension), or a combination of both. Your choice will depend on your UniSuper membership category, the lifestyle you want in retirement and how you wish to manage your retirement income.

Income streams (or pensions), allow you to continue to grow the superannuation you have accumulated over the years in a tax-free environment, whilst drawing down a periodic income.

UniSuper has a range of pension products to choose from and your adviser will be able to discuss which option, or combination of options, is best suited to your individual needs.

How can I work out how much super I'll need to retire on?

Whilst there are some guides to help you determine how much super you might need in retirement, there is no 'one size fits all' calculation. A financial adviser can provide comprehensive advice focusing on your individual retirement needs to work out how much super you will need to just get by, to live comfortably, or to live the lifestyle you really desire in retirement.

Ensure you're headed in the right direction and contact UniSuper Advice today by calling 1300 331 685.

All members will be provided with a full quotation before they agree to any advice services.

Important information for members

Changes to UniSuper's Trust Deed and Regulations

Since the last edition of *Super Informed*, there have been a number of changes to UniSuper's Trust Deed and Regulations.

The key changes to the Trust Deed include:

With retrospective effect from 1 July 2011:

- The Trust Deed provided for the payment of a disabled child pension to the disabled child of a member of the Defined Benefit Division or Accumulation 2 Division, who receives a disablement pension and joined UniSuper before 1 July 1998. An amendment was made to ensure that the disabled child pension would instead be payable to the member where any new disabled child pensions were applied for on or from 1 July 2011, and would otherwise become payable in respect of a disabled child of a living member who receives a disablement benefit. On the death of that member, any disabled child pension amount would then be payable to the disabled child. The approval of the Consultative Committee was not required for this proposed amendment because it was necessary to comply with superannuation law.

From 1 January 2012:

- Confer power on the Trustee to receive all types of third party contributions which are permitted by superannuation law (for example, the proposed low income earners Government contribution, eligible spouse contributions and contributions from other family members). The power conferred is discretionary in nature – the Trustee is not bound to accept all types of third party contributions. That is because it may not be in the interests of members as a whole to make the necessary system and administrative changes to receive certain types of contributions.
- Rectify an anomaly where dependent child pensions are being paid to more than one child of a deceased member and superannuation law requires one of those pensions to cease. The amendment provides for an increase to be applied to the continuing dependent child pensions in those circumstances.
- Clarify the meaning of Clause 34 to make it clearer and more objective. Clause 34 sets out the rules for monitoring the financial health of the Defined Benefit Division. In its current form Clause 34 is not precise and is open to interpretation.

From 21 April 2012 (date still to be confirmed by the Trustee Board):

- An amendment to confer power on the Trustee at the request of members to deduct financial advice fees from Flexi Pensions and Term Allocated Pensions. Previously, these fees could only be deducted from UniSuper accumulation accounts.

The key changes to the Regulations include:

From 1 July 2011:

- Applying Consumer Price Index increases to certain types of benefit payments in leap years.
- Clarifying the requirements for members who purchase insurance cover through the Fund's external insurance provider; and the definition of 'eligible member' in relation to inbuilt benefits.

From 1 September 2011:

- Clearly stating the rules that apply to Commercial Rate Indexed Pensions, Flexi Pensions, Term Allocated Pensions and Defined Benefit Indexed Pensions based on trust deed factors that can be purchased by members who joined the Fund prior to 1 July 1998.



FEES UPDATE

We intend to implement the following fee changes from April 2012.

Reduction of Administration fee

Effective from 1 April 2012, the Administration fee for Accumulation 2 accounts will be reduced from \$125 p.a. to \$115 p.a. and the Administration fee for Flexi Pension and Term Allocated Pension accounts will be reduced from \$167 p.a. to \$115 p.a.

Removal of Self-Select investment fee

The Self-Select investment fee will be removed. It will continue to be charged to members who currently access the Self-Select investment menu up to 21 April 2012, before it is removed. The final fee covering the period 1 January to 21 April will be charged on 30 April 2012.

Increase in the Member Protection Levy

Effective from 21 April 2012, the Member Protection Levy, which reimburses the Trustee for costs associated with complying with regulatory prescribed member protection standards, will be increased from 0.054% to 0.07%. The Member Protection Levy is part of the Fund's Indirect Cost Ratio, and is not deducted directly from your account. Instead it is deducted from the investment earnings and assets of the relevant investment option.

From 1 March 2012:

- Clarifying the period Defined Benefit Division (DBD) and Accumulation 2 members may elect to defer their benefits or transfer to Accumulation 1 upon ceasing contributing membership.
- Clarifying the crediting rates to be applied to DBD members upon becoming entitled to benefits.

From 21 April 2012 (date still to be confirmed by the Trustee Board):

- Introducing three new investment options.
- Improving member investment choice flexibility.

These changes are described in detail on page 6.

To view the latest UniSuper Trust Deed and Regulations, visit www.unisuper.com.au.

- Clarifying UniSuper pensions commencement dates and how the administration fee is charged for Commercial Rate Indexed Pensions.
- Clarifying how lump sum benefit payments are processed and how crediting rates are applied.

From 1 November 2011:

- Clarifying how crediting rates are calculated and applied for the smoothed rate investment option (available to members with a Flexi Pension that commenced before 1 January 2001).
- Applying crediting rates daily to Flexi Pensions and Term Allocated Pensions.

From 1 December 2011:

- Introducing weekly investment switching for pension members.
- Allowing Flexi Pension members to nominate reversionary beneficiaries.

From 18 December 2011:

- Clarifying the provisions relating to splitting superannuation under the Family Law Act.

Privacy update

We have recently updated our Privacy Policy to reflect business changes to the way we collect, use and disclose your personal information. UniSuper is committed to protecting your privacy and responsibly managing your personal information. You can read the updated policy on our website at www.unisuper.com.au/privacy-policy

Changes to super

The Commonwealth Government's reform agenda includes a number of important changes affecting superannuation. While most of these changes are not yet law, legislation is expected to be finalised in the coming months.

Stronger Super

The Government's Stronger Super reform aims to bring about some major changes to Australia's super landscape, to help maximise the retirement income of members with a focus on net returns to members, making the system easier to use, and strengthening the integrity of the super system.

A key element of Stronger Super is MySuper – a new, simple, low cost default superannuation product that most funds are expected to provide.

UniSuper is planning to establish a new MySuper product for members who do not make a fund choice and who are currently defaulted into Accumulation 1 for their Superannuation Guarantee contributions. This is dependent on the final form of the legislation, as only preliminary amendments have been introduced into Parliament at the time of writing.

Superannuation Guarantee increase

The Government proposes to increase the Superannuation Guarantee rate from 9% to 12% between 2013/14 and 2019/20, and to remove the current 70-year age limit on receiving employer contributions. This is not yet law but is set to be considered by the Senate in early 2012.

Superannuation co-contribution reduced, new low income superannuation contribution to commence

The Government will reduce the maximum amount of the superannuation co-contribution. Currently, the Government will match up to \$1,000 of personal after-tax contributions made by low to middle income earners. It is proposed that from 1 July 2012 the maximum superannuation co-contribution will be reduced to \$500.

The reductions in the superannuation co-contribution may be partly, or fully, offset by the introduction of a new government incentive: the Low Income Superannuation Contribution (LISC). The LISC was announced in May 2010 and will apply from 2012/13, but is not yet law.

Like the co-contribution, the LISC is a government contribution paid into the accounts of eligible members. However, the amount of the LISC is based on the individual's concessional contributions (rather than after-tax contributions, as in the case of the co-contribution). The maximum annual LISC is \$500, payable to eligible individuals with adjusted taxable incomes of up to \$37,000. Essentially, the LISC is intended to refund the tax paid on a low-income earner's compulsory Superannuation Guarantee contributions.

The Government has suggested that the LISC will be of benefit to more low-income earners than the current superannuation co-contribution. It is possible that over time the LISC will replace the superannuation co-contribution as the Government's preferred way of assisting those with low incomes to accumulate more in super.

In light of these announcements, we encourage members to review their contributions to super. In some instances, members may be able to receive the superannuation co-contribution (albeit reduced) as well as the LISC.

Concessional contribution caps

Caps on the amount of money members can contribute to superannuation at a concessional tax rate (generally 15%) were introduced in 2007. The Government has announced it will "pause" the indexation of the cap for one year in 2013/14. This is likely to mean that the existing concessional contributions cap of \$25,000 will remain at that level until at least 1 July 2014.

The Government recently announced that it is still finalising changes to the concessional contributions cap for those aged 50 and over. The contribution cap arrangements currently include a higher, 'transitional' cap for people aged 50 and over. On 30 June 2012, that five-year transition period is set to expire. The Government has proposed to introduce a permanent, higher cap of \$50,000 for those over 50 who have superannuation balances of less than \$500,000. At the time of writing this is not yet law.

This means that changes to the concessional contributions cap for those aged over 50 is on the horizon. The cap is currently \$50,000 but may drop down to \$25,000 in 2012/13 unless the proposed cap arrangements are implemented. Even if the proposed changes come into effect, the higher cap will not apply to those with superannuation balances that exceed \$500,000.

Due to its complexity and industry concerns, the Government announced that it will undertake further industry consultation in relation to this matter. This means further uncertainty for those members aged 50 and over about their contributions to super. This is something we are monitoring closely and we will keep you informed of relevant changes as they come to light.

Extension of drawdown relief for account-based pensions

The Government has also announced changes affecting members who receive a Flexi Pension or a Term Allocated Pension. Since 2008/09, members have been able to receive a reduced minimum payment amount in recognition of the effect investment markets may be having on their balances.

The Government had previously indicated that the minimum payment amounts would return to normal in 2012/13. However, with ongoing volatility in equity markets, the Government announced that the current limited drawdown relief will continue for a further year to assist retirees in recouping capital losses. Regulations giving effect to this change will be made before the new financial year.

The reduction in the minimum payment amounts will apply only to Flexi Pensions and Term Allocated Pensions. We will write to members prior to 1 July 2012, confirming their pension payment options and the relevant minimum amounts.

How will the changes affect me?

If you would like to access advice specific to your situation, please contact UniSuper Advice on 1300 331 685.



Stay in control of your super with MemberOnline



It's your super.
Your money.
Your investment.

Get instant online access to your UniSuper account, whenever you like, with MemberOnline.

- Check your account balance and transactions
- Monitor your investment portfolio and compare investment options
- Switch your investment options
- Check your insurance cover and other benefits, review options and nominate beneficiaries
- Keep your personal details up-to-date
- Compare UniSuper to other funds

What next?

1. Visit www.unisuper.com.au/MOL and click 'Register'.
2. Enter your information, including your member number.
3. We'll send you your username and password to get you started.
4. Or, call us on 1800 331 685 and we'll get you started right away.



Winner of August iPad promotion

We are pleased to announce that the winner of the August *Super Informed* iPad promotion was one of our pension members from Chapel Hill, Queensland.

Contact us

Helpline 1800 331 685
Website www.unisuper.com.au
Facsimile (03) 9910 6141
Address Level 35, 385 Bourke Street
 Melbourne VIC 3000



SuperRatings, an independently owned superannuation research company, has awarded UniSuper a Platinum rating for its Accumulation and Flexi Pension products. Go to www.superratings.com.au for details of its rating criteria. SuperRatings does not issue, sell, guarantee or underwrite this product.



The Chant West ratings logo is a trademark of Chant West Pty Limited and used under licence.



The information in *Super Informed* has been prepared by the Administrator on behalf of the Trustee of the Fund. The information in this publication may contain general advice and has been prepared without taking into account your objectives, financial situation or needs. Before making any decisions about your UniSuper membership, you should consider the appropriateness of the information for your personal circumstances and whether to consult a licensed financial adviser. You should also obtain a copy of the relevant Product Disclosure Statement (PDS) for your membership category. UniSuper PDSs are available on our website (www.unisuper.com.au) or by contacting our Helpline on 1800 331 685. The Administrator is licensed to provide financial advice services and it operates UniSuper Advice which is available to Fund members.

Fund: UniSuper, ABN 91 385 943 850 | **Trustee:** UniSuper Limited, ABN 54 006 027 121

Administrator: UniSuper Management Pty Ltd ABN 91 006 961 799 AFSL 235907

UNISSIPLAN0212



Printed on Carbon Neutral Paper by Lithocraft Pty Ltd certified for ISO 1400:2004 Environmental Management Systems. Printed on Envi Recycled 50/50, an Australian made FSC certified paper.