



Contribution flexibility

for Defined Benefit and Accumulation 2 members
receiving **17% employer contributions**

What is contribution flexibility?

As of 1 July 2006, UniSuper members with Defined Benefit Division (DBD) or Accumulation 2 accounts will be able to reduce the level of member contributions they make to their account. UniSuper is introducing this flexibility in member contributions in recognition that there are times in members' lives when they want to have more control over their budgeting and savings.

UniSuper nevertheless wishes to ensure that members save enough for their retirement and therefore a minimum contribution level of 17% has been retained.

Who is eligible?

If you are an Accumulation 2 or Defined Benefit Division member, your employer will maintain their current level of contributions to your account but you will be able to reduce your member contributions to specific levels, down to zero if you wish.

What should I consider before making a decision?

Remember that if you reduce your member contributions there will be a reduction in your superannuation savings and you may lose valuable insurance cover.

Therefore, before deciding to reduce your member contributions, UniSuper recommends that you do a thorough assessment of your retirement income goal and the savings that will be needed to fund it, as well as your personal savings habits, current lifestyle and financial situation.

For example, reducing your member contributions may give you higher disposable income, but how will you use that money? Do you actually need the extra disposable income? Are you likely to use it for productive purposes such as debt reduction or savings outside super?

The less money going into your super, the less you are likely to have to live on in retirement. Your superannuation benefit might not be sufficient to fund all the years of your retirement and you may need to rely at least partially on

the government pension, or you may need to work longer to fund the lifestyle you want in retirement.

Research into retirement savings adequacy by a number of organisations in Australia has shown that most Australians currently do not have enough savings to fund even a modest lifestyle, being able to afford only fairly basic activities, in retirement.

According to the Westpac / ASFA Retirement Living Standard (February 2006), a couple will need \$24,930 a year to fund a modest lifestyle in retirement and \$46,192 a year to live a comfortable lifestyle (the national average in today's dollars and assuming they own their own home).

Is it compulsory to reduce my contributions?

No, you are not required to reduce your contributions. UniSuper has simply introduced this option to give members more flexibility over their budgets. If you don't reduce your contributions, the equivalent of 24% of your salary (comprising 14% employer, 3% additional employer [award] and 7% member contributions) will continue to be paid into your account.

To what level can I reduce my member contributions?

Most DBD or Accumulation 2 members receive a 17% employer contribution, which includes a 3% employer (award) contribution. If you are one of these members you will be able to reduce your member contributions to the following specified levels:

After-tax contribution level	
7.00%	← Current level of member contributions
4.45%	
4.00%	
3.00%	
2.00%	
1.00%	
0.00%	

Remember, if you make contributions from your before-tax pay they are treated as employer contributions and you must also pay the Contributions Tax. For example, a 7% after-tax contribution will become an 8.25% before-tax contribution.

If you are a DBD member and you reduce your contributions, the 3% employer contribution (currently paid into your accumulation component) will be transferred to your defined benefit component.

If you are not receiving 17% employer contributions, see our Fact Sheet: *Contribution flexibility for Defined Benefit and Accumulation 2 members receiving 14% employer contributions.*

How will my super savings be affected if I decrease my contributions?

If you are an Accumulation 2 member

If you reduce your member contributions, your overall savings will decrease because less super goes into your account and because your lower account balance will generate less income from any compounding investment returns.

If you are a Defined Benefit Division member

You must contribute at least 4.45% to maintain your full defined benefit component entitlement. If you decrease your contributions below this level, the reduction in your defined benefit entitlements will be calculated by adjustments to your contribution factor (a new factor that has been introduced to the defined benefit formula).

Options for your levels of after-tax member contributions	
7.00%	Full defined benefit entitlements are maintained and the 3% employer contribution continues to go into your accumulation component.
4.45%	Full defined benefit entitlements are maintained but the 3% employer contribution no longer goes into your accumulation component
4.00%	Defined benefit entitlements are scaled back proportionate to the reduction in your contribution and the 3% employer contribution no longer goes into your accumulation component.
3.00%	
2.00%	
1.00%	
0.00%	

If I reduce my contribution rate can I increase it again later?

If you reduce your member contributions and later wish to top up your account you may make regular or occasional lump sum voluntary contributions to your Accumulation 2 account or to your accumulation component of the DBD. **Contributions cannot be re-instated to a defined benefit component.**

What if I don't know how much my employer contributes?

Most employers' pay slips provide a breakdown of member and employer contributions made to UniSuper. If you are unsure how much your employer contributes and your latest pay slip does not provide this information, please contact your employer.

Does my employer have to agree to my request to reduce contributions?

Contribution flexibility is available to members under the UniSuper Trust Deed and your employer does not have a part in your decision to reduce your contribution, however, your employer does need to ensure that a minimum 17% contribution level is maintained.

You do need to complete a form to reduce your contributions which your employer will process and send to UniSuper. (See *How do I reduce my contribution level?* below)

What happens if I reduce my contributions to zero and a future employer does not offer the additional 3% employer contribution?

If you reduce your member contributions to zero, the minimum 17% contribution rate is being maintained. If you then join a UniSuper employer who only offers 14% employer contributions, you will need to start making member contributions of 2.55% to reinstate the minimum level. (You need only contribute 2.55% because of the different way employer and member contributions are taxed.)

Can I participate if I am already making half contributions?

If you and your employer are currently making only half contributions you are eligible to participate in contribution flexibility. To do so, the full level of contributions must be re-instated and then you may reduce your member contributions to the levels noted above.

What if I need to reduce my member contributions due to financial hardship?

If you apply for a temporary reduction in member contributions due to financial hardship it is not considered to be a request to participate permanently in contribution flexibility. Your application will be based on your personal circumstances and you will not be bound by the rules surrounding contribution flexibility that are contained in the Trust Deed and outlined in this fact sheet.

What happens to my insurance if I reduce my contributions?

Compulsory death and disablement insurance

If you reduce your member contributions you will still be covered by UniSuper's compulsory death and disablement insurance because the premiums will continue to be deducted from your Accumulation 2 account, or if you are a Defined Benefit Division member they will be retained as part of your benefit formula.

Because your death benefit is a combination of your resignation benefit and an insured benefit for future service to age 60, however, a reduction in your member contributions will reduce your resignation benefit and effectively your death benefit.

Optional death and disablement insurance

If you reduce your member contributions you will no longer be eligible for optional insurance cover because the additional 3% employer contributions (from which optional insurance premiums are deducted) have been re-directed to cover your reduction in member contributions.

Your optional insurance cover will automatically cease 90 days from the end of the month for which employer contributions were last received. You will receive a letter advising you that your insurance has ceased and offering you the option to take up continuation cover independent of your UniSuper membership.

You will not be eligible to purchase optional insurance if you commence voluntary contributions at a later date.

How do I reduce my contribution level?

To reduce your contribution level you need to complete the attached *Contribution Flexibility Application form* and submit it to your employer, who will make the requested adjustments to your contributions and then pass the form onto UniSuper for our records.

Learn more in the online guide

To learn more about contribution flexibility and the important issues you should consider before you decide to reduce your contributions, we strongly urge you to complete the Online Contribution Flexibility Guide which will be available on the UniSuper website on 1 July 2006.

It will guide you through the numerous considerations surrounding this important decision.

Put your super on a mission

For more information about saving adequately for your retirement, register for UniSuper's free *How much is enough?* seminar. To register, go to www.unisuper.com.au and follow the links to the seminars section. Register for the seminar on the date and location that best suit you.

Important note: This information is general information only and is not intended to be advice. It has been prepared without taking account of your objectives, financial situation or needs. Before deciding to acquire or to hold an interest in any UniSuper account or pension, you should consider whether it is appropriate for you and consider the relevant Product Disclosure Statement, which you may obtain from your employer or from UniSuper. Issued by: UniSuper Management Pty Ltd (ABN 91 006 961 799), Australian Financial Services Licence No. 235907, Level 37, 385 Bourke Street, Melbourne, Vic 3000. Phone 1800 331 685.

UniSuper

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Melbourne Vic 3000

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Contact information

If you need more information:

- enquiry@unisuper.com.au
- call the UniSuper Helpline on 1800 331 685
- visit our website at www.unisuper.com.au

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Contribution Flexibility Application form

For Defined Benefit Division and Accumulation Super (2) members receiving 17% employer contributions

Before completing this form

Please ensure that you have read pages 19 to 20 of the Product Disclosure Statement, *Welcome. Product Disclosure Statement for Defined Benefit Division and Accumulation Super (2) members* and the Fact Sheet, *Contribution Flexibility for Defined Benefit and Accumulation 2 members receiving 17% employer contributions*.

We strongly encourage you also to review the *Online Contribution Flexibility Guide* on the UniSuper website at www.unisuper.com.au before you make a decision to reduce your member contributions.

What is contribution flexibility?

The standard level of member contributions is 7% of your salary, however, you may reduce your contribution rate.

Warning

Remember, reducing your contributions is a very significant decision that may affect the amount of money you have to live on in retirement.

You will also be ineligible to receive optional death and disablement insurance cover if you reduce your contributions.

If you reduce your member contributions, you may only increase them again via voluntary or lump sum contributions. Member contributions cannot be reinstated to a defined benefit component.

Further information

If you need further information or help to complete this form:

- contact the person who manages superannuation at your workplace
- call the **UniSuper Helpline** on 1800 331 685, or
- visit our website at www.unisuper.com.au

Privacy information

The privacy of your personal information is important to us and the Trustee, UniSuper Limited is bound by the *Privacy Act 1988*.

Further details are provided in your UniSuper membership Product Disclosure Statement. Full details of UniSuper's Privacy Policies are provided online at www.unisuper.com.au

SECTION 1 — Member details

▶ Please use BLACK or BLUE BALL POINT PEN and print in CAPITAL LETTERS.

Cross where required X

Title: Mr Mrs Ms Dr Professor

Other

Surname

Given name

Date of birth (DD/MM/YYYY)

/ /

Postal address

Number and Street (or PO Box if applicable)

Suburb/Town

State

Postcode

Country (if not Australia)

What is the phone number you wish UniSuper to call you on if there is a question we need to ask you regarding this form?

Contact number (during business hours)

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UniSuper Member Number

(If you are unsure of your Member Number, refer to your most recent Benefit Statement or call the Helpline.)

form continues →



SECTION 2 — Contribution flexibility choice

▶▶ The standard level of member contributions is 7% of your salary, however, you may reduce your contribution rate if you need to. Remember, if you reduce your member contributions there will be a reduction in your superannuation savings and you may lose valuable insurance cover.

Note: Reducing your contributions is a very significant decision that may affect the amount of money you have to live on in retirement.

What percentage of your salary* do you wish to contribute?

(Select one box only)

4.45%	<input type="checkbox"/>
4.00%	<input type="checkbox"/>
3.00%	<input type="checkbox"/>
2.00%	<input type="checkbox"/>
1.00%	<input type="checkbox"/>
0.00% (zero)	<input type="checkbox"/>

* The contribution percentages above are from after-tax pay. If you make contributions from your before-tax pay they are treated as employer contributions and you must also pay the contributions tax.

Your employer can advise you of the specific rate if you make your contributions from your before-tax pay.

SECTION 3 — Declaration

▶▶ Please read this Declaration before you sign and date your form.

- I declare that the information I have given on this form is complete and correct.
- I understand that I will be bound by the provisions of the Trust Deed and Regulations of UniSuper as amended from time to time, and that I can inspect these documents on request.
- I have received, read and understood the information in the Product Disclosure Statement, *Welcome. Product Disclosure Statement for Defined Benefit Division and Accumulation Super (2) members* and have reviewed the *Online Contribution Flexibility Guide* on the UniSuper website.
- I understand that if I move to a UniSuper employer who only makes 14% employer contributions on my behalf, I will then need to make a minimum of 2.55% member contributions even if I have chosen to reduce my contributions to zero on this form.
- I understand that I will be ineligible for optional death and disablement insurance cover if I reduce my level of member contributions.
- I understand that if I am working for more than one UniSuper employer, the level of member contributions I choose on this form will apply to member contributions I make with all my UniSuper employers.
- I authorise my employer to deduct contributions indicated on this form from my pay.
- I understand that these contributions will be invested in the option I previously selected for my future contributions.
- I understand that if I make contributions from my before-tax pay, I will also be required to pay the contributions tax.
- I agree that the Trustee may, subject to the provisions of the *Privacy Act 1988*, use and disclose my personal information to provide UniSuper membership and benefits, including insured benefits.
- I have read the information about privacy and how my personal information may be used in the booklet provided with this form or on the UniSuper website at www.unisuper.com.au/privacy.

Signature

X

Date (DD/MM/YYYY)

<input type="text"/>	<input type="text"/>	/	<input type="text"/>	<input type="text"/>	/	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
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Returning your form:

Return your completed form to your employer's **Superannuation Officer** or **Representative**.

If you do not have a Superannuation Officer or Representative, then you can return your completed form to UniSuper by mail to:

UniSuper
Level 37, 385 Bourke Street
Melbourne Vic 3000

