

Contribution flexibility

Giving you flexibility in the level of standard member contributions you make to super.

What this fact sheet does

Explains how members can use contribution flexibility to reduce their standard member contributions to superannuation and the implications of doing so.

Who it is for?

Defined Benefit Division and Accumulation 2 members receiving 17% employer contributions.

What is contribution flexibility?

Defined Benefit Division (DBD) or Accumulation 2 members are encouraged to make standard member contributions equal to 7% of their after-tax salary. Members are able to reduce the level of contributions they make under UniSuper's contribution flexibility arrangements.

UniSuper introduced this flexibility in standard member contributions in recognition that there are times in members' lives when they want to have more control over their budgeting and savings.

Who is eligible?

If you are an Accumulation 2 or DBD member, you are able to reduce your standard member contributions to specific levels, down to 4.45%, 4.00%, 3.00%, 2.00% or zero if you wish. Importantly, your employer will maintain their current level of contributions – 17%.

What should you consider before making a decision?

If you reduce your member contributions there will be a reduction in your retirement savings and you may lose valuable optional insurance cover.

Before deciding to reduce your standard 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, financial situation and insurance needs.

For example, reducing your standard 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 age 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 (March 2010), a couple will need \$30,399 a year to fund a modest lifestyle in retirement and \$53,565 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 your standard member contributions?

No, you are not required to reduce your standard member contributions – this option simply gives members more flexibility over their budgets. If you don't reduce your standard member contributions, the equivalent of 24% of your salary (comprising 14% employer, 3% additional employer and 7% standard member contributions) will continue to be made.

How much can you reduce standard member contributions by?

If you receive 17% employer contributions (which includes a 3% additional employer contribution) you can reduce your standard member contributions to one of the following specified levels:

Before-tax contribution level	After-tax contribution level
8.25%	7.00%
5.25%	4.45%
4.7%	4.00%
3.5%	3.00%
2.5%	2.00%
1.2%	1.00%
0%	0%

Remember, if you make standard member contributions from your before-tax pay you must also pay the 15% contributions tax on these contributions. For example, a 7% after-tax contribution will become an 8.25% before-tax contribution.

How will your retirement savings be affected if you decrease standard member contributions?

If you are an Accumulation 2 member

Your overall retirement savings will decrease because less contributions go into your account and your lower account balance will generate less investment returns.

If you are a Defined Benefit Division member

You must contribute at least 4.45% to maintain your full defined benefit entitlement. If you decrease your standard member contributions below this level, the reduction in your defined benefit entitlements will be calculated by adjustments to your average contribution factor.

Options for your levels of after-tax member contributions	
7.00%	Your full defined benefit entitlement is maintained. Your 3% additional employer contribution is made into your accumulation component.
4.45%	Your full defined benefit entitlement is maintained. Your 3% additional employer contribution, formerly made to your accumulation component, is redirected to your defined benefit component.
4.00%	Your defined benefit entitlement is scaled back in proportion to your reduced standard member contributions. Your 3% additional employer contribution, formerly made to your accumulation component, is redirected to your defined benefit component.
3.00%	
2.00%	
1.00%	
0.00%	

If you reduce your standard member contributions can you increase them again later?

You cannot reinstate your previous level of standard member contributions at a later date once you have chosen to reduce them.

If you reduce your standard member contributions and later wish to make additional contributions you can make regular or one-off voluntary member contributions to an Accumulation 2 account or to the accumulation component of a DBD account.

Voluntary member contributions cannot be made to the defined benefit component of a DBD account.

What if you don't know how much your 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 your employer have to agree to the request to reduce standard member 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 standard member contributions. However, your employer does need to ensure that a minimum 17% employer contribution level is maintained.

What happens if you reduce standard member contributions to zero *and* a future employer does not offer the 3% additional employer contribution?

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

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

What happens to your inbuilt benefits or optional insurance cover if you reduce your standard member contributions?

Inbuilt benefits

If you reduce your member contributions you will still be covered by UniSuper's inbuilt benefits because the insurance charges will continue to be deducted from your Accumulation 2 account, or if you are a DBD member they will be allowed for in the benefit formula.

However, because your death benefit is a combination of your resignation benefit and a projected benefit for future service to age 60, a reduction in your standard member contributions will reduce your resignation benefit and effectively your death benefit.

Optional insurance cover

If you elect to reduce your standard member contributions on joining UniSuper, you will not be eligible to purchase optional insurance cover because the 3% additional employer contributions (from which optional insurance premiums are deducted) are re-directed to cover your reduction in standard member contributions. If you elect to reduce your standard member contributions after you join UniSuper as a DBD or Accumulation 2 member, you will be eligible to purchase optional insurance cover.

Your optional insurance cover will continue while you have an accumulation component from which premiums can be deducted.

How do you reduce standard member contributions?

To reduce your standard member contributions simply complete the attached *Contribution flexibility application form* and submit it to your employer, who will make the requested adjustments and then pass the form onto UniSuper.

Learn more in our online tutorial

To learn more about contribution flexibility and the important issues you should consider before you decide to reduce your standard member contributions, we recommend you complete the online tutorial, *Contribution Flexibility Guide*.

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

For more information about contribution flexibility, please speak with one of Member Services Consultants by calling the UniSuper Helpline on 1800 331 685.

Find out more www.unisuper.com.au enquiry@unisuper.com.au 1800 331 685

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UniSuper: ABN 91 385 943 850

Trustee: UniSuper Limited, ABN 54 006 027 121, Level 37, 385 Bourke Street Melbourne VIC 3000. Phone 1800 331 685.

Date: July 2010 UNIS000F12



Contribution flexibility application form

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

Before completing this form

Please ensure that you have read the *Super for Defined Benefit Division and Accumulation 2 members* product disclosure statement and the fact sheet, *Contribution Flexibility for Defined Benefit Division and Accumulation 2 members receiving 17% employer contributions*.

We encourage you also to review the online tutorial, *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 this contribution rate.

Important notice

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

You may also be ineligible to receive optional insurance cover if you reduce your contributions on joining the Fund.

If you reduce your member contributions, you may only increase them again by making regular or occasional voluntary member contributions to your Accumulation 2 account or the accumulation component of your Defined Benefit Division. You cannot reinstate your previous level of member contributions once you have chosen to reduce them. Member contributions cannot be reinstated to a defined benefit component.

Please note, any reductions to your member contributions will take effect at the commencement of the next pay period after the change has been processed.

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

UniSuper recognises the importance of protecting your personal information and is committed to complying with its privacy law obligations. UniSuper collects and manages various types of personal information about you to provide you with UniSuper membership and benefits. To find out more about how UniSuper collects and manages your personal information, please refer to UniSuper's Privacy Policy, which is available from UniSuper's website at www.unisuper.com.au or by calling the UniSuper Helpline on 1800 331 685 between 9am and 5pm, (AEST) Monday to Friday.

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 UniSuper Helpline.)

form continues →



SECTION 2 — Contribution flexibility choice

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

Note: Reducing your member contributions is a 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 as member contributions?

(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 shown above are from after-tax salary. If you make member contributions from your before-tax salary they are treated as employer contributions and you must also pay the 15% contributions tax on these contributions.

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

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 true and correct.
- I 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 member contributions to zero.
- I understand that I may be ineligible for optional insurance cover if I reduce my level of member contributions on joining UniSuper.
- I understand that if I am working for more than one UniSuper employer, the level of member contributions I choose on this form will also apply to member contributions I make with all my UniSuper employers.
- I authorise my employer to deduct the member contributions indicated on this form from my salary.
- I understand that if I make member contributions from my before-tax pay, I will also be required to pay 15% contributions tax on these contributions.
- I consent to my personal information being used in accordance with UniSuper's Privacy Policy. I acknowledge that a copy of the UniSuper Privacy Policy is available from the UniSuper website at www.unisuper.com.au or can be obtained by calling the UniSuper Helpline on 1800 331 685.

Signature

X

Date (DD/MM/YYYY)

<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.**

UniSuper
Level 37, 385 Bourke Street
Melbourne Vic 3000

OFFICE USE ONLY

To be completed by a Superannuation Officer or Representative

Member number

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Payroll number

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Employer number

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Employer name

Contribution flexibility pay period start date

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How is the employee currently making member contributions

Before-tax After-tax

Member contribution rate

												%
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Please note, the post-tax rate must be input on the UniSuper Administration System.

Has contribution rate been added to administration system?

No

Yes Date system updated

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Name of Superannuation Officer or Representative

Signature of Superannuation Officer or Representative

X

Date (DD/MM/YYYY)

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Employer date stamp

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