Consultative Committee Circular – 2/2007

To	Consultative Committee Members
From	Ann Byrne, CEO
Date	10 October 2007
Subject	Update

Dear Consultative Committee Members,

UniSuper Consultative Committee Extranet Site

In the next few weeks you will receive a login for the UniSuper Consultative Committee extranet site. On the site currently you will find documents relating to the 2007 Consultative Committee Meeting (ie Notice of Meeting, Travel and Record Update forms and Proxies). In future we will use the site to provide you with regular bulletins.

However, rather than wait for everyone to receive their logins I thought it best to provide you with the yearly update on investment performance and other matters.

Investment Performance Update for the Year Ended 30 June 2007

Buoyant conditions in share markets during the 2006/07 financial year reflected yet another period of very strong economic growth globally, making this one of the largest upswings in the global growth cycle for several years. Central to this has been the remarkably high level of activity in China, with its growth rate sustained at over 10% per annum.

Importantly, rapid growth worldwide has not been accompanied by any significant rise in underlying inflation. Consequently, although short term interest rates have increased in all regions, monetary policy has not had to be tightened to levels which adversely affected economic activity. As a result, corporate profits have continued to expand at double digit rates.

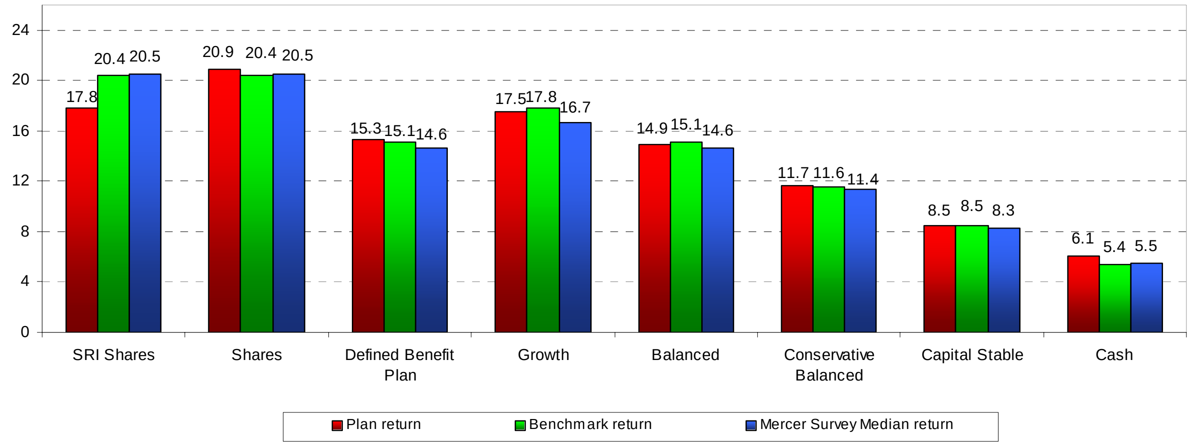
Nevertheless, the year was not without its concerns. In February 2007, a sharp fall in the Chinese share market triggered temporary reversals elsewhere, and towards the end of the period, problems in the US sub-prime mortgage markets injected a note of caution.

The Australian share market again produced an exceptional return over financial year 2006/07, with a gain of 29.2%. While international shares also performed strongly, up 23.7% on a hedged basis, the sharp rise in the Australian dollar reduced this to 7.8% for unhedged Australian investors. The higher risk emerging markets fared noticeably better, however, with a return of 27.4% on an unhedged basis.

Bond returns were affected by rising interest rates, and returns were modest (3.6% in Australian and 5.7% in international fixed interest). Property benefited from strong tenant and investor demand, with both the listed and unlisted sectors producing strong gains, the former rising by 26.3%, and the latter by 20.2%.

Option Performance

The graph below summarises the performance of the Fund's Options (after tax and fees) for the year ending 30 June 2007.



The buoyant investment market conditions experienced in Australian and international share markets, together with solid returns from property and alternative investments, underpinned sound absolute returns for UniSuper's investment Options over the 2006/07 financial year. The Shares Option, with a return of 20.9%, was the best performing Option for the period. The Shares, Conservative Balanced, Capital Stable and Cash Options, Options also either outperformed or matched their respective benchmarks.

Strategic Asset Allocation

No changes were made to the Option's strategic asset allocations over the 2006/07 financial year. However, on 1 July 2007, the asset allocation of the Shares and SRI Option were altered so as to improve the risk and return profile of the Options. The Shares Option was renamed the High Growth Option, and the SRI Option was renamed the SRI High Growth Option. The benchmarks for both Options now contain a mix of Australian shares (40%), international shares (32.5%), alternative investments (17.5%) and property (10%). While the asset allocation change for the new High Growth Option took effect on 1 July 2007, the changes for the Socially Responsible High Growth Option will be more gradual, taking effect as suitable socially responsible investments are identified over time.

Australian & International Shares

In Australian shares, the Fund maintained its fully active approach, utilising managers that target returns above the index. The Fund added to its small caps exposure, appointing Kinetic, and also expanded its exposure to niche strategies, adding Russell Select Holdings to the portfolio.

In international shares, the active portion of the international shares asset class was increased from 45% to 50%, with the remaining 50% made up of enhanced passive management. T. Rowe Price was added to the manager line up as a global equities manager, and Goldman Sachs JBWere was added as a second long/short equity manager, while Credit Suisse (Capital International) was removed from the manager configuration. The Fund also added its first dedicated Asia ex-Japan mandate, managed by Treasury Asia Asset Management.

Property

In the year to 30 June 2007, the Fund's property portfolio grew by $750 million to $2.3 billion.
During the year, returns from the direct property portfolio were strong in an absolute sense and above benchmark, underpinned by an exposure to high quality Retail sector properties. Returns also benefited from the Fund's overweight position to the Office sector, which continues to gain from a re-rating due to solid growth in demand coupled with limited new supply.

New investments made over the period included $100 million in the GPT Wholesale Office Trust, $92 million in the GPT Wholesale Shopping Centre Trust, and $65 million in the redevelopment of Dapto Mall (about 95 kilometres south-west of the Sydney CBD). A direct investment of $22 million was also made in an industrial property at Ingleburn, NSW.

Infrastructure and 'Other' Alternative Assets

In the year to 30 June 2007, the Fund's Infrastructure and Other Alternative Investments portfolios grew by $270 million to $1.6 billion. Returns over the year to 30 June 2007 for the Infrastructure and Other Alternative Investments was strong in absolute terms. The Fund maintained its strong buying discipline in the face of record high prices being paid for unlisted infrastructure assets, and made only one significant acquisition over the year for its Infrastructure and Other Alternative Investments portfolios by acquiring a 20% stake in Taumata Plantations. Taumata consists of approximately 220,000 hectares of New Zealand timberlands acquired by a consortium led by Hancock Natural Resources Group. Hancock is the manager of Hancock Victorian Plantations and Tiaki Plantations, the other two timberlands in which UniSuper has a stake. The investment in Taumata is expected to benefit from increasing global demand over the next 15 to 20 years, driven by growing demand from China, as well as from southern Asia. All of the timberlands that UniSuper invests in have attained Forestry Stewardship Certification, meaning that they are managed in a sustainable and environmentally responsible manner.

UniSuper also took advantage of the prevailing environment to opportunistically sell some of its unlisted infrastructure investments. The Fund's investments in both Birmingham Airport and Rome Airport, held via Macquarie Airports Group, were realised at attractive prices. Gorodok, an ethane pipeline, was also sold over the year.

Private Equity

In the year to 30 June 2007, the Fund's private equity portfolio grew by $305 million to $678 million. During the period, returns from the private equity portfolio were strong in an absolute sense. In the short term, returns from private equity are typically negative, reflecting set up costs and management costs, and the fact that there may not be any investment made for some time after the fund is established. Over longer periods, returns are expected to at least match the benchmark, being listed market returns plus a premium of 5%. To date, given that the international private equity portfolio is still relatively new, the private equity portfolio is performing in line with expectations.

In the past financial year, UniSuper committed to 13 international private equity investments spread across the US, Europe and Asia, totalling $366 million. The Fund's international private equity program has been in place for 2 years now, and is spread across 30 managers totalling $740 million in commitments. The international private equity program's progress is particularly pleasing, as the top quartile managers that UniSuper has committed to are heavily oversubscribed and thus difficult to access. The Fund also committed to 5 Australian private equity investments totalling $185 million.

DBD & Contribution Flexibility

At the 2006 Meeting members asked the Board to explain why members who took up member contribution flexibility and decreased their contributions could not increase contributions into the DBD at a later date.

Professor Lelia Green of Edith Cowan University put that formal request to the Board and we responded. This information is at Attachment 2.

Consultative Committee Date

Please ensure that you have the date of the meeting in your diary – Friday, 2 November 2007.

I look forward to seeing you in November.

Ann Byrne
Chief Executive Officer

Attachment 1

Performance Analysis for Periods Ending 30 June 2007 (after tax and fees)

1 Year to 30 June 2007

Option	UniSuper Return	Benchmark Return	Mercer Median	SuperRatings Median
SRI Option	17.8	20.4	20.5	n.a.
Shares Option	20.9	20.4	20.5	19.0
Growth Option	17.5	17.8	16.7	17.0
Balanced Option	14.9	15.1	14.6	14.9
Conservative Balanced Option	11.7	11.6	11.4	11.6
Capital Stable Option	8.5	8.5	8.3	8.7
Cash Option	6.1	5.4	5.5	5.4

3 Years to 30 June 2007

Option	UniSuper Return	Benchmark Return	Mercer Median	SuperRatings Median
SRI Option	18.1	18.3	18.8	n.a.
Shares Option	19.5	18.3	18.8	17.2
Growth Option	17.4	16.5	15.8	16.0
Balanced Option	14.8	14.1	14.3	14.2
Conservative Balanced Option	11.5	10.9	11.3	11.5
Capital Stable Option	8.7	8.3	8.4	8.7
Cash Option	5.6	5.0	5.0	5.0

5 Years to 30 June 2007

Option	UniSuper Return	Benchmark Return	Mercer Median	SuperRatings Median
SRI Option	n.a.	n.a.	n.a.	n.a.
Shares Option	14.4	13.2	13.4	13.1
Growth Option	13.5	12.6	11.6	11.9
Balanced Option	11.8	11.1	11.0	11.0
Conservative Balanced Option	9.7	9.0	9.2	9.3
Capital Stable Option	n.a.	n.a.	n.a.	n.a.
Cash Option	5.2	4.8	4.8	4.7

7 Years to 30 June 2007

Option	UniSuper Return	Benchmark Return	Mercer Median	SuperRatings Median
SRI Option	n.a.	n.a.	n.a.	n.a.
Shares Option	9.3	8.1	8.6	8.8
Growth Option	9.6	8.6	8.7	8.4
Balanced Option	8.7	8.1	8.1	8.0
Conservative Balanced Option	7.5	6.9	7.3	n.a.
Capital Stable Option	n.a.	n.a.	n.a.	n.a.
Cash Option	5.1	4.7	4.7	4.6

Attachment 2

Correspondence received from Professor Lelia Green to the UniSuper Board

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UniSuper Board

As discussed from the floor of the Consultative Committee Meeting 2006, this is a request for a formal review of the Actuary's response to:

The reason why members who take up the employee contribution flexibility option cannot increase their contribution to the DBD at a later date (included in the Report on issues raised at the Consultative Committee Meeting, 21 October 2005, dated 3 November 2006)

Thank you for following this concern through with the Actuary, and for undertaking to allow further discussion on the matter.

We seek further clarification on two matters: (i) the opportunity to 'select against the fund' and (ii) the statement that "adding significantly more complexity to the DBP may be able to overcome this problem. However, the complexity is likely to make it very difficult for many DBP members to understand their benefits and therefore plan for retirement".

A number of the academic employees' consultative committee representatives have not been able to understand how the complexity that is added is significantly greater than various other complexities that are negotiated readily by the fund on a case by case basis ("The introduction of significantly greater complexity").

Further, there are concerns that the operation of this refusal to allow members to reverse an election for the employee contribution flexibility option in terms of the DBP is contrary to the intention of 'flexibility' and is likely to disproportionately impact upon male employees to the extent that it might be construed as structural discrimination given current norms of gender roles and responsibilities ("Possible construction of structural discrimination").

Finally, it has been argued that allowing a 100% return to the DBP following a period in which an election for the employee contribution flexibility option has been made would "be inequitable to other DBP members who have always contributed 7% of salary, not only because of the cross subsidization that would occur but also because the viability of their benefits would be jeopardised" ("Cross subsidisation and viability"). It has been conceded that this can be addressed actuarially via greater complexity "to develop accrual rates that reflected more closely the increased member contributions plus investment earnings".

These matters will be addressed separately.

The introduction of significantly greater complexity

As the Board is aware, there is no requirement that Consultative Committee members are either highly numerate or conversant with actuarial details. These concerns will consequently be addressed in layman's terms, drawing upon my own experience of the DBP's existing complexity. We seek information as to how the complexity envisaged as a result of allowing a full return to the DBP following 'an election for the employee contribution flexibility option' is of a significantly greater magnitude of complexity than that which is already routinely managed.

My own career has included:

- Leave without pay
- Fractional Full Time employment
- Long service leave at half pay and
- Greater than 100% annual service fraction

- *Leave without pay* includes paid and unpaid maternity leave; unpaid strike action and a year (or so) leave without pay. None of these had a lasting impact upon my DBD funds out of proportion to the time in which I was on leave without pay, affecting my 'years in the fund'. Presumably as a result of leave without pay there is significant discrepancy between the elapsed time since joining the DBP, and the number of years credited as being in the DBP.

- *Fractional Full Time employment* In addition to these periods I spent most of the time for almost seven years in a 0.6 fractional full time capacity while I was raising primary school children.

- *Long service leave at half pay* For some of this 0.6 period the fractional contribution was dramatically altered since I took 26 weeks of long service leave (at a rate which was less than 0.6 because of LWOP) at half the LSL pay that would have otherwise been available. At the end of 1997 my relevant service fraction was between 50 and 60%.

- *Greater than 100% annual service fraction* Having resumed full time (100%) service in 1998, that service fraction started climbing steadily. In 2003 it was boosted when I accepted a position with leadership responsibility and (to my surprise) the fraction became >100% (currently 109.8, as a result of a Higher Duties Allowance for an Academic Leadership Position). My service fraction is now 79% overall. With a further 10 years or more of hoped-for service I anticipate that this fraction will increase to almost 90%.

- *Voluntary top-ups as a result of LWOP* Since I became aware of the opportunity in around 2000, I have taken every chance to make extra payments to voluntarily 'make up for' the shortfall of LWOP on my DBD contributions.

While there is no doubt that this DBD contribution record is complex, it has been managed within the normal bounds of the fund. It is not uncharacteristic of the employment record of many women who, like me, accept a position in academia (in my case from a better-paid career in television production) in order to gain family-friendly flexibility.

The questions that UniSuper members I represent would like addressed are:

1. In terms of the complexity that would be added by an employee's election for the employee contribution flexibility option, why would this be of significantly greater complexity that the above? Can the Actuary provide a worked example of the kind of situation that would add unconscionable complexity to the operation of the DBD?

2. Why would an employee who elected to be paid the 7% of their salary that would otherwise have been credited as their contribution to the DBD not simply be credited with a 0.67 service fraction credit for that year (or pro rata) as a result of the employer's 14% salary contribution?

3. If that employee's circumstances changed, and they then chose to resume their voluntary 7% superannuation contributions, why would they not simply start accruing new years at 1.00 service fraction, gradually increasing their overall service fraction?

4. Why does this ongoing adjustment of the service fraction "make it very difficult for many DBD members to understand their benefits and therefore plan for retirement"? Arguably, the impact of receiving a 67% credit for each year in which an employee elects to exercise the 7% employee contribution flexibility option is a clear indication of the price this choice is exacting in terms of the impact on their pension entitlements.

According to the Consultative Committee discussions of November 2006, an increasing number of people are opting for the DBD compared with the numbers/proportion predicted. We know that the DBD is overwhelmingly the members' preferred choice and that the issues under discussion only arise with respect to a person who has elected the DBD. Consequently to be locked out of the possibility of return to a full 100% contribution may not be what the member would choose, and is a significant impediment to an election for the employee contribution flexibility option.

Possible constructions of structural discrimination

From my own history, outlined above – and the only detailed case study upon which I can draw – it can be correctly inferred that one reason why I entered academic life was to allow a range of life/work/family options that were sufficiently flexible to change over time as my responsibilities altered.

While I have no concrete evidence from staff records, etc. my assumption is that the option of working for some years as a Fractional Full Time employee is statistically most likely to be exercised by female UniSuper members as a response to perceived family obligations (usually children/parents). It is greatly valued and appreciated that FFT workers have the opportunity and right to resume 100% DBD contributions when they resume full time employment.

We already know that women retiring from the workforce do so having (on average) earned a lower weekly wage than their male counterparts, and having (on average) fewer full-time years of superannuation contributions. Consequently most women retire with significantly fewer superannuation savings than most men. If DBD members in the future were denied the opportunity of moving between FFT and full time employment, and having UniSuper adjust the proportional service fraction of their DBP record accordingly, this would rightly be resisted as a change that disproportionately affected women and their capacities to accumulate superannuation reserves in their preferred division.

My guess would be that the majority of people electing to exercise the employee contribution flexibility option are/will be men. In the same way that women receive social and cultural support in decisions to work fewer hours when family obligations (children/parents/the sick) are pressing, so men are culturally primed to support their families in times of financial strain by working harder or longer to increase the take home wage. In some cases this might well be a response to the second wage earner in the family reducing their work fraction.

It is more than conceivable – it is likely, given social and cultural norms – that an academic couple in the DBD with children might have the mother working FFT during the children's pre-school and schooling years and the father working full-time and electing for the employee contribution flexibility option to help offset the impact upon the family of reduced income (due to his partner's lower earnings) at a time of rising expenses (given that children generate significant costs). At the end of these years of a joint, but gendered, response to the pressures of child-raising it seems a matter of equity that both parties be permitted to return to 100% contributions to their DBP assuming full time employment.

To allow the FFT worker total flexibility in this matter, but to deny the same opportunity to the employee who elected to take a fraction of their (otherwise) superannuation payments as salary, appears likely to result in structural discrimination against men.

The questions that UniSuper members I represent would like addressed are:

1. If a UniSuper member takes an extended period of leave without pay (e.g. following on from Maternity Leave) can s/he return to full membership of the DBD?

2. If a UniSuper member leaves university employment for some years and then returns, can s/he rejoin UniSuper as if with a fresh start?

3. If a UniSuper member leaves university employment for some years and then returns, can his/her prior contributions be credited for the purposes of the DBP?

4. How is the proposal to increase flexibility by allowing a UniSuper member to reduce and then reinstate the percentage of the employee contribution more complex than these situations, or more open to 'selection against the fund'?

5. Can the Board reassure members that the proposal does not constitute structural discrimination, and please will they share the reasoning behind their views?

Cross subsidisation and viability

One reason why members might elect to join the DBD, rather than Accumulation 2, is the sense that the whole is bigger than the sum of the parts. The critical mass of so many academic employers, and 5/7 of the academic workforce, offers some promise of security and continuity at the end of a working life's service in academia.

The academic staff representatives of the Consultative Committee understand that the Actuary has advised that Defined Benefit funds require a continuing supply of new members to prosper, and that this is one reason why the DBD is the default plan into which new ongoing-employed UniSuper members are enrolled. This default is part of the structures in place to ensure the continued viability of the DBD.

Increasingly (and particularly as a result of the Consultative Committee's decisions in November 2006 relating to Clause 34 of the Consolidated Trust Deed) membership of the DBD includes the possibilities of 'swings and roundabouts'. Members who seek certainty that they will get out what they put in, moderated only by their own investment and superannuation planning decisions, opt for the Accumulation 2 fund. Members who choose to lump their future in with the higher education sector's – and with the growth (or decline) in the sector's relative wage performance over time – choose the DBD. Some people may get more out than others, and more out on average, than they put in. This is particularly the case, for example, with academic staff that gain promotion comparatively late in their careers. Nonetheless, the benefits of being in a collaborative fund are judged by its members to outweigh the benefits of certainty of not cross-subsidising anyone else. If it were otherwise, those members would elect to join Accumulation 2.

The question that UniSuper members I represent would like addressed is:

1. Given that the viability of the DBD is enhanced by the DBD being the default plan for new (ongoing) academic employees in UniSuper, is the right to return to 100% DBD contributions following an employee's election for the employee contribution flexibility option not also supporting the continued viability of the DBD?

I thank the Board again for the opportunity to make these points and seek further information. This submission has been informed and greatly strengthened by feedback from colleagues representing academic and general staff in universities other than my own.

Sincerely

Lelia Green
Edith Cowan University UniSuper Academic Staff Representative

UniSuper reply to Professor Lelia Green

14 August 2007

Professor Lelia Green
Professor of Communications
Edith Cowan University
2 Bradford Street
MT LAWLEY WA 6050

Dear Professor Green,

Thank you for your letter of 17 January 2007. On behalf of the Board I can now confirm that UniSuper has completed the background work necessary to reply to the issues raised. At the outset, I would also like to thank you for your patience and for your continued active participation in the Fund through the Consultative Committee.

The central question in your paper is: 'why is not possible for members of the Defined Benefit Division (DBD) to adjust their contributions both up and down through member contribution flexibility?' I will respond to this question before addressing your additional questions.

The funding of the DBD, like all defined benefit funds uses a pooled approach. This means that while each member receives benefits based on their individual final average salary and member history, the aggregate of all employer and member contributions, investment earnings administration costs and insurance premiums are spread across the total fund. Within this context there is cross subsidisation amongst members. For example, all members pay for death and disablement benefits through their contributions, but not all members actually receive this benefit. Therefore the cost of the benefit for individual members varies to reflect their circumstance.

The cost to the Fund of providing a DBD benefit also varies with age due to three main factors:

- the lump sum accrual rates that increase from 18 % below age 40 to 23% at age 65;
- the financial assumption that the contributions of younger members have a longer period of compounding interest; and
- the demographic assumption that some members entering the Fund at a younger age leave before retirement and so receive benefits based on a lower lump sum factor.

A part of all actuarial investigations is a calculation of the expected future contribution rates required to provide full benefits for new members at various ages. In 2005 these ranged from 18.7% for a 23 year old to 24.5% for a new entrant aged 53. A key to the ongoing DBD viability is the calculation of the weighted average based on UniSuper's past experience of new members ages and salaries. In 2005 that average was 20.4%, thus the current level of member and employer contributions, (21%), is sufficient in aggregate.

This calculation also demonstrates that there is a financial incentive for older new members to join the DBD and a potential disincentive for younger new members. To ensure that there is not selection against the fund whereby members could take advantage the DBD is the default Fund. This rule helps to manage adverse selection against the fund and is one of the factors that keeps the DBD in sound financial health.

When we look at being able to increase or decrease contributions under the member flexibility provisions the financial impact of members increasing or decreasing their contributions is similar to the above. In this circumstance there would be a financial incentive for older members to recommence higher contributions.

An example from our Actuary shows how this works.

> If a DBD member aged 64 has previously elected to contribute 2.55% they would receive a benefit in respect of their final year prior to age 65 equal to 17.4% of their Benefit Salary. (This is the Contribution Factor of 74.5% times the age 65 23% accrual rate.) As would be the case with the full accrual rate, this benefit accrual is greater than the contributions being received and the extent to which this is offset by compound interest on prior contributions will depend on the member's age at entry.
>
> If the member were then able to increase their contribution to 7% of their salary in their final year, they would receive the full 23% accrual rate for that final year. Therefore, by contributing an additional 4.45% (7% less the 2.55% already being contributed) of salary the accrual rate increases by 5.86% (23% less 17.14%) so the member receives considerably more in benefit for that year than their contributions. If a member is eligible to receive a defined pension, the additional benefit is even more valuable.

This example shows that every member, irrespective of what age they joined the DBD would have a financial incentive to recommence 7% contributions at older ages. It is the Trustees view that it could be expected that all members currently contributing at the lower rate would quickly become aware of this and that the risk of this adverse (to the Fund) selection occurring would be extremely high. This would a result in significant cross subsidisation from members who had always contributed the 7% to those who take up flexibility with significant impact on the financial viability of the Fund.

It was because of this risk to the long-term health of the Fund through adverse selection, that the Trustee determined not to allow the flexibility you seek. Against this background I will now turn to the specific issues of complexity and structural discrimination that you have raised.

Complexity

As you rightly point out, UniSuper already deals with significant complexity in the Fund's design. You cite a number of examples from your own experience such as how Long Service Leave on half pay is dealt with. The significant characteristic of all the examples you mention however is that there is no link between them and financial gain from the DBD. There can be no adverse selection against the Fund. It is also possible, because they are all 'time' based, to have a single method of adjustment – the service fraction.

If the Fund was to allow upward flexibility it would need to take into account three aspects of the member's account (the total length of time of contribution, the level(s) of contribution, and the period for each level of contribution) plus the age of the member at each point where the member had adjusted their contribution. Whilst is it possible to use these factors to avoid the risk of adverse selection in the member flexibility scenario they bring the calculation of the final member benefit very close to mimicking a benefit equivalent to the extra contributions going into the Accumulation Fund.

Therefore due to the cost and complexity involved in any multi factorial calculation, and the close alignment with an accumulation result, the Trustee formed the view that the accumulation option was the appropriate option to offer to members wanting to increase their contributions. A simple service fraction would not work because the tax and fixed costs deductions means that there is not a proportionate equation between contributions received and the adjusted benefits. For all of these reasons I believe that members would find the complexity a serious issue.

"Structural" Discrimination

It is my understanding that systemic or structural discrimination is generally measured in terms of outcomes; if you apply the same condition to different groups you will get a different outcome because of the inherent characteristics of the group. (A good example is height restrictions, because men are generally taller than women a height requirement may adversely affect more women than men.) The various Commonwealth Anti-discrimination Acts allow for this issue in the areas of superannuation and insurance because of the pooled nature of the products and their dependence on avoiding adverse selection. Both insurance and superannuation products may, under the legislation, discriminate if the discrimination is based on reasonable actuarial opinion. Thus car insurance can be more expensive for younger male drivers because of their known risk profile.

At this stage it is too early to say if any difference in outcome for different groups will result from the contribution flexibility rules UniSuper has introduced. Insufficient time has elapsed for any meaningful results. Thus far only 3.5% of DBD and Accumulation 2 members have taken up this option of which some 60 % are women.

Finally I provide answers to your specific questions.

1. If a UniSuper member takes an extended period of leave without pay (e.g. following on from Maternity Leave) can s/he return to full membership of the DBD?

   Yes, you can return to membership after extended leave but only at the same level of member contributions as when you went on the leave.

2. If a UniSuper member leaves university employment for some years and then returns, can s/he rejoin UniSuper as if with a fresh start?

   Yes, if you leave the University and UniSuper and later rejoin you do so as a new member and all the options as to member contribution levels are open to you.

3. If a UniSuper member leaves university employment for some years and then returns, can his/her prior contributions be credited for the purposes of the DBP?

   Yes, if a member has selected to defer a DBD benefit and then recommence activity the account is effectively unfrozen. This means that the previous contribution levels continue to apply.

4. How is the proposal to increase flexibility by allowing a UniSuper member to reduce and then reinstate the percentage of the employee contribution more complex than these situations, or more open to ‘selection against the fund’?

   I refer you to the general statements above.

5. Can the Board reassure members that the proposal does not constitute structural discrimination, and please will they share the reasoning behind their views?

   Yes, the Board can reassure members that the scheme as established does not constitute discrimination under the law. I have outlined the reasoning behind this conclusion in general statements above.

Your final question is on viability and contributions flexibility. I believe the worked example above best illustrates why this proposition is not correct.

Once again I would like to express the Board’s appreciation for your active interest in the Fund and your role as a member of the Consultative Committee. I hope that this letter answers your questions satisfactorily however should there be anything further on this issue please do not hesitate to contact me again and we will do our best to meet your needs.

Kind regards and I look forward to seeing you in November at the 2007 Consultative Committee meeting.

Yours sincerely,

Ms Ann Byrne
Chief Executive Officer