



## Consultative Committee Circular – 5/2006

**To** Consultative Committee Members  
**From** Ann Byrne, CEO  
**Date** 14 December 2006

Dear Consultative Committee Members,

### Committee Communications

To ensure that you are kept up to date we have been working on improving communications to the Committee. By Easter 2007 we will have established a UniSuper Consultative Committee Extranet. This will mean that instead of you receiving these bulky emails you will receive a simple email with a link to the Committee extranet. It will also allow us to notify you of Press Releases and information that we provide to the market.

If you interested in the recent releases you can find them on the UniSuper internet site - [www.unisuper.com.au/resources/News/media\\_releases.cfm](http://www.unisuper.com.au/resources/News/media_releases.cfm)

The latest release tells of the acquisition of a 15% equity interest in Carter Holt Harvey's New Zealand forestry assets - [UniSuper acquires interest in NZ forestry assets](#)

### Minutes of the Consultative Committee Meeting

The minutes of the November 2006 Consultative Committee Meeting are attached for your information – refer *Attachment 1*. The Deed changes are effective 31 December 2006. Other issues raised by Committee members will be responded to early in 2007.

Presentations will be forwarded separately.

### Improved Accumulation 1 Member Insurance Benefits

We recently conducted an exercise to compare the Accumulation 1 insurance offering with other superannuation funds. The project assessed the insurance premium prices and associated amounts of insurance cover for each of the age categories – 20, 30, 40 and 50 years.

The findings showed that UniSuper's current level of insurance cover is below that offered by a number of other not-for-profit funds like FinSuper, particularly for the younger age groups.

As a result of this initiative Management reviewed the Accumulation 1 insurance and based on the comparisons negotiated with Hannover Life regarding substantial changes to increase the benefits to members. Hannover agreed to increase cover for all members for both Death and Disability at around 40%.

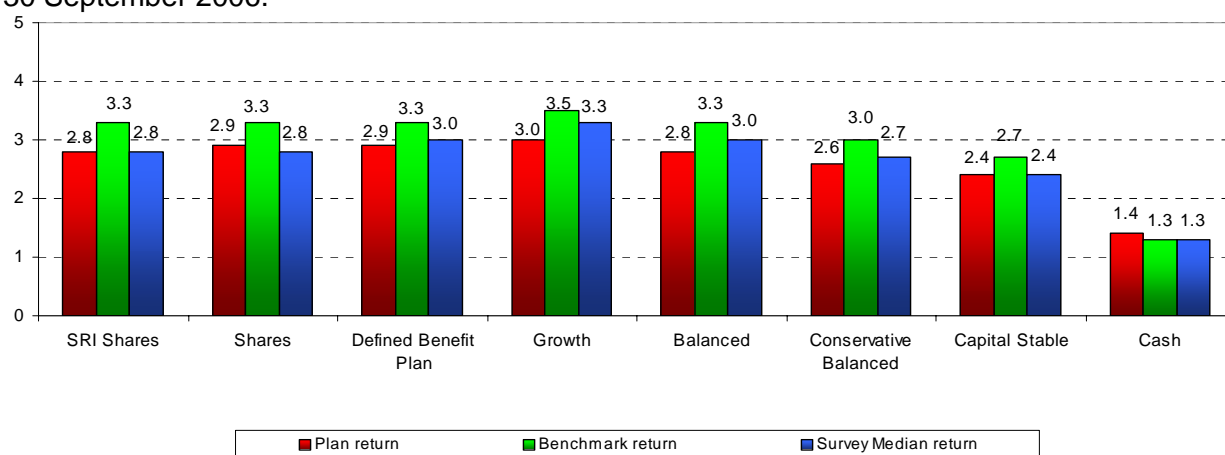
The changes will be operational from 1 January 2007 – refer *Attachment 2*.

## Investment returns for the first quarter of 2006/7

Fears of a slowdown in global housing markets negatively impacted sharemarkets early in the September 2006 quarter, but higher than expected consumer confidence in the US and a sharp decline in commodity prices over the latter half of the quarter, helped to ease inflation fears, and propelled markets higher. The MSCI World ex Australia Index rose by 5.6% on a hedged basis, while the unhedged equivalent returned 4.1% over the period.

The Australian market resumed its upward trend over the September 2006 quarter, with the S&P/ASX 300 Accumulation Index posting a 2.9% return. While many of the Australian mining companies were sold off during the quarter in response to sliding commodity prices, a spurt of takeover activity ensured the domestic market remained in positive territory. Listed property was again the standout performer for the period, with the S&P/ASX Property Trusts Accumulation Index rising by 10.6%.

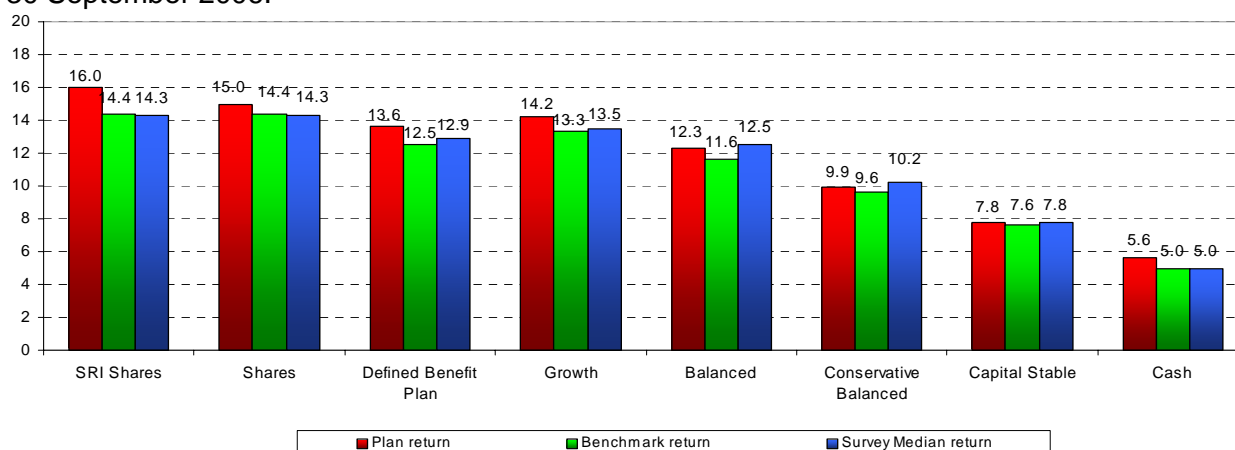
The graph below summarises Option performance (after tax and fees) for the quarter ending 30 September 2006.



Footnote: The surveys used for each Option are identified in Sections 2.2.2 to 2.2.9 of this report.

Buoyed by rising global equity markets, all Options recorded positive absolute returns for the September 2006 quarter. However, with the exception of Cash, all Options fell short of benchmark, predominately due to lacklustre results from the Fund's Australian shares and property managers. Over the quarter, Option performance was generally in line with relevant medians (including SuperRatings).

The graph below summarises Option performance (after tax and fees) for the year ending 30 September 2006.



The continued strength in international sharemarkets has again underscored substantial positive absolute returns for the Options. All of the Options exceeded their respective benchmarks over the one year period, primarily as a result of the significant outperformance in international shares. With the exception of Balanced and Conservative Balanced, all of the Options performed favourably in comparison to their respective medians.

### **Board Vacancy**

Heather Nash has notified us that she is to take up a position outside the university sector. This means that the position of General staff representative is vacant. In February 2007 we will call for nominations to the position with an election to be held in early March if required.

### **Thank You**

Thank you for your support in 2006 and I look forward to meeting with as many of you as possible in 2007.

On behalf of the Board and staff of UniSuper I wish you all the best for the festive season and lots of good fortune in 2007.



Ann Byrne  
**Chief Executive Officer**

**MINUTES of the meeting of the Consultative Committee  
Held at the Hilton Melbourne Airport Hotel, Tullamarine  
on 3 November 2006 at 10.30 am**

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**1. OPENING OF MEETING**

Brian Smith, Chairman of UniSuper Limited, opened the meeting and welcomed the participants. The Chairman informed the Committee of the results of the recent Board elections and:

- welcomed Professor Michael Skully to the Board as the new Consultative Committee elected academic representative;
- thanked Dr Diana Olsberg for her service as a director for a period of over 17 years;
- congratulated Professor John Rickard on his reappointment as a representative of the universities;
- welcomed Professor Janice Reid to the Board as a representative of the universities;
- thanked Professor Iain Wallace for his service as a director to UniSuper and TESS for over 18 years; and
- welcomed David Carey as the replacement for Elana Rubin to represent the national unions.

Brian Smith also introduced Elizabeth Bryan who would be taking over as the Chair of UniSuper Limited when he retired at the end of the year.

**2. APPOINTMENT OF CHAIRPERSON**

Dr Peter Love (Swinburne University of Technology), took over the role of Chairperson for the meeting.

**3. (a) PRESENT**

105 members were present as per the attendance register, representing a quorum for each of the three sectors of membership.

**(b) IN ATTENDANCE**

Six Directors of UniSuper: Brian Smith, Elizabeth Bryan, David Carey, Ted Murphy, John Rickard and Iain Wallace, along with Paul Richardson, Diana Olsberg, Warren Snell and Heather Nash who are also Committee members.

The following advisers: Mark Cerche, legal adviser from Allens Arthur Robinson and Matthew Burgess, Fund Actuary, and Kate Maartensz of the Russell Investment Group.  
Observers: John Mullarvey of the AVCC.

32 staff of UniSuper with John Mitchell acting as secretary.

**(c) APOLOGIES**

Bev Turnbull (Charles Darwin University)  
Greg Charnley (University of Technology, Sydney)  
Robyn Denes (University of Sunshine Coast)  
David Swan (Central Queensland University)

Grant O'Rourke(RMIT University)  
Damian Israel (University of Wollongong)

(d) **PROXIES**

Kerry McKeand (LaTrobe University) in favour of Paul Richardson  
Charles Hollis (Australian Catholic University) in favour of Diana Olsberg  
Tim Sprague (Macquarie University) in favour of Phil Hagan  
Graeme Dennehy (Deakin University) in favour of Wendy Cooper  
Bernard Lillis (University of Tasmania) in favour of Stuart Andrews  
Scott Logan (The University of Western Australia) in favour of Robert Farrelly  
Terry Kelleway (The University of Western Australia) in favour of Robert Farrelly  
Michael Venning (University of South Australia) in favour of Jayne Taylor  
Ian Marshman (The University of Melbourne) in favour of the Chairman  
David Percival (The University of Melbourne) in favour of Barry Telford  
Denis Feeney (The University of Queensland) in favour of Michael Hamer  
Jan Brown (University of Western Sydney) in favour of Warwick Brennan  
Robin Pollard (University of New England) in favour of Adrian Robinson  
Michael Knight (Charles Sturt University) in favour of the Carmen Frost  
Stephen Graw (James Cook University) in favour of Geoff Duce  
John Summers (Flinders University) in favour of Diana Olsberg  
Marian Burford (Victoria University) in favour of Diana Olsberg  
Bernd Aberle (Monash University) in favour of the Chairman

4. **AMENDMENT TO RULES FOR CONDUCT OF MEETING**

It was agreed that the amended rules for the conduct of the meeting as proposed in the agenda papers be adopted.

5. **MINUTES AND MATTERS ARISING FROM PREVIOUS MEETING**

The minutes of the previous meeting on 21 October 2005 and the report on the matters arising were noted. The following issues relating to the matters arising were raised.

*Trustee Board & Governance Arrangements*

Professor Robert Walker, academic representative from the University of Sydney, acknowledged that UniSuper had made substantial changes to its financial reporting as evidenced in the Report to Shareholders distributed to the Committee members for the year ended 30 June 2006. He questioned why UniSuper had not fully complied with the ACSI guidelines for listed companies in providing the full details of Key Management Personnel (KMP) remuneration and why UniSuper was not providing industry leadership on this matter.

Brian Smith, the Chairman of UniSuper, replied that the ACSI guidelines relate to listed companies only and in relation to the KMP disclosures, UniSuper:

- had exceeded the requirements that apply to superannuation funds;
- was disclosing more information than other industry funds; and
- in disclosing this level of information, the Trustees were conscious of balancing the industry leadership that the enhanced disclosure would provide with the competitive environment that exists for key staff within the industry and the need to protect UniSuper's commercial confidentiality and competitive advantage.

In addition UniSuper was lobbying ACSI to get other industry funds to improve their KMP disclosures.

*Why employees that take up the employee contribution flexibility option cannot then increase their contribution to the DBD at a later date*

Leila Green, academic representative from Edith Cowan University, stated that as the actuarial advice detailed in the follow up matters paper indicated that increased contributions at a later date could be handled with some additional complexity in the fund, she would be writing to the Board requesting further consideration of this issue.

## **6. CHIEF EXECUTIVE'S REPORT**

Ann Byrne, Chief Executive Officer of UniSuper, updated the Committee on the events of the last year, future plans of UniSuper and some issues of importance within the superannuation industry. Issues covered included:

- the transition of the Fund administration onto the Acurity administration system;
- member age, state and product distribution statistics;
- the results of the Triennial Actuarial Review as at 31 December 2005;
- product disclosure and regulation;
- investment performance;
- the UniSuper approach to investment corporate governance;
- the impact of the recent Federal budget changes;
- the United Nations principles of responsible investing; and
- the challenges to be faced in the next 12 months.

Ann Byrne answered questions from the floor on various issues including:

- the current levels and importance of the Vested Benefit (VBI) and Accrued Benefit (ABI) Indices;
- the results of the CEM benchmarking survey;
- the training of UniSuper staff; and
- the Federal budget superannuation contribution limits as they apply to UniSuper.

## **7. PROPOSED TRUST DEED AMENDMENTS**

The proposed Trust Deed amendments had been circulated to the Committee and the impact of each amendment is summarised below:

### *Amendment 1*

Proposed a change to Clause 29.3 to ensure that the Fund complies with the Portability and Choice of Fund rules.

### *Amendment 2*

Proposed a change to Clause 34. This clause designates the process to be followed if the UniSuper's assets were, at some future stage, deemed to be insufficient to provide the benefits payable under the Deed and the insufficiency remained for some years.

### *Amendment 3*

Clarified the rules for the payment of death benefits.

#### *Amendment 4*

Clarified the Trustee discretions to reject applications for an additional benefit where the former member has either already received, transferred or rolled over, their benefit to another fund.

Ann Byrne summarised each of the proposed Trust Deed amendments and then the Committee discussed and voted on each with issues raised and the result of the vote as detailed below:

Amendment 1 - Approved

Amendment 2

It was suggested that the wording of the draft clause be amended to allow trustees to have the discretion of reducing benefits in a situation where assets were insufficient. The funds legal advisor, Mark Cerche, confirmed that under the SIS Regulations no such discretion is allowed. After some discussion it was agreed that the draft wording as tabled was appropriate.

The Amendment was then approved.

Amendment 3 - Approved

Amendment 4 - Approved

IT WAS RESOLVED that the Consultative Committee supports the proposed Trust Deed amendments incorporated in Deed of Amendment No.28.

It was also agreed that the it would be advantageous for the Deed of Amendment to be implemented before 1 January 2007 to assist employers in dealing with financial account disclosure issues in relation to superannuation.

As a result of the changes to Clause 34 the Committee requested the Board to review the following matters:

- whether the name of the defined benefit scheme should be amended to reflect that it was no longer strictly defined benefit; and
- ongoing member communications in relation to who is now bearing the risk.

## **8. GENERAL BUSINESS**

The following issues were raised:

#### *Audited Accounts*

Joseph Winsen, academic representative from University of Newcastle, referred to the wording in the PwC audit report on the financial statements of the fund which detailed a separate audit report having been issued in relation to the Part B Derivatives Risk Management Statement and queried whether this was a qualified audit report.

It was confirmed that the fund had received unqualified audit reports on all matters including the Part B Derivatives Risk Management Statement.

### *Exposure to Hedge Funds*

Brian Melhuish, general staff representative from Murdoch University, asked what exposure UniSuper had to hedge funds. David St. John, the Chief Investment Officer advised that UniSuper had undertaken a detailed review of hedge fund products 3 years ago and, with the exception of equitised long short products, that are not strictly deemed to fall into this category, UniSuper had decided not to invest in hedge funds.

### *Departing Directors*

Ann Byrne paid tribute to the following directors who were retiring from UniSuper.

Iain Wallace who had been a formation director of TESS and had then become a director of UniSuper when the merger occurred and had played a constructive role on both the Board, Remuneration and Membership Committees.

Diana Olsberg who had been a director of UniSuper and SSAU for 17 years and had played a significant role on the Board, Membership and Consultative Committees, been awarded Trustee of the Year and had always strived to make UniSuper better.

Brian Smith who had been the chairman of the fund since 1994, been a major driver in achieving the merger of SSAU and TESS to form UniSuper and made a substantial contribution on both the Board and Investment Committee.

The Committee showed their appreciation of the contribution made by each of the directors.

The meeting concluded at 12.30pm and lunch was served.

## **9. CONSULTATION WITH THE COMMITTEE**

After lunch Committee members attended one of three sessions run by UniSuper Management dealing with issues relevant to the Fund. The sessions were titled:

- Investments - "Insights into UniSuper's Investment Strategies";
- Budget Changes; and
- Financial Education Research.

Confirmed

Chairperson  
/ /2006

## Accumulation 1 Insurance Changes

The cost of the cover to members will remain unchanged. The new rates are shown in the table below:

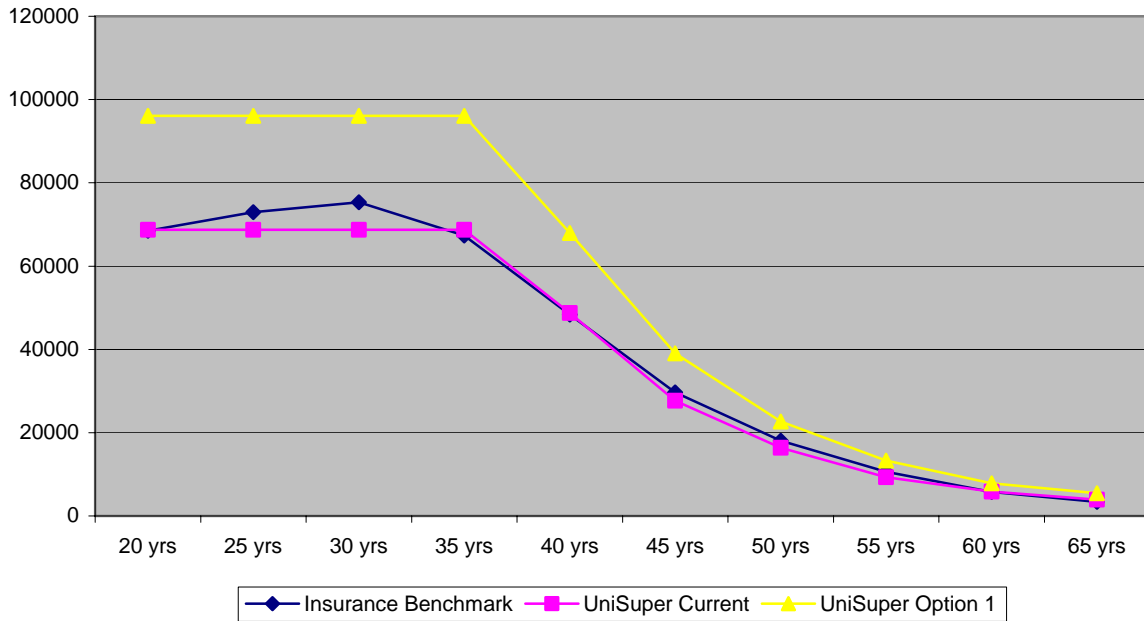
<u>Age next birthday</u>	<u>Current Scale</u>	<u>New Scale</u>
16	88,000	123,000
17	88,000	123,000
18	88,000	123,000
19	88,000	123,000
20	88,000	123,000
21	88,000	123,000
22	88,000	123,000
23	88,000	123,000
24	88,000	123,000
25	88,000	123,000
26	88,000	123,000
27	88,000	123,000
28	88,000	123,000
29	88,000	123,000
30	88,000	123,000
31	88,000	123,000
32	88,000	123,000
33	88,000	123,000
34	88,000	123,000
35	88,000	123,000
36	84,500	118,000
37	80,000	112,000
38	74,500	104,000
39	68,500	96,000
40	62,350	87,000
41	56,450	79,000
42	50,900	71,000
43	45,500	64,000
44	40,350	56,000
45	35,450	50,000
46	31,900	45,000
47	29,000	41,000
48	26,050	36,000
49	23,550	33,000
50	21,000	29,000
51	18,800	26,000
52	16,950	24,000
53	15,100	21,000
54	13,250	19,000
55	11,900	17,000
56	11,050	15,000
57	10,150	14,000
58	9,250	13,000
59	8,400	12,000
60	7,500	11,000
61	7,000 *	10,000 *
62	6,500 *	9,000 *
63	6,000 *	8,000 *
64	5,550 *	8,000 *
65	5,050 *	7,000 *
<b>Cost per unit per member per week</b>	<b>Death &amp;TPD \$1.40</b>	<b>Death Only \$0.90</b>

- Total and Permanent Disablement cover ceases on attainment of the Insured Person 60<sup>th</sup> Birthday and death only cover ceases on attainment of the Insured Person's 65<sup>th</sup> birthday.

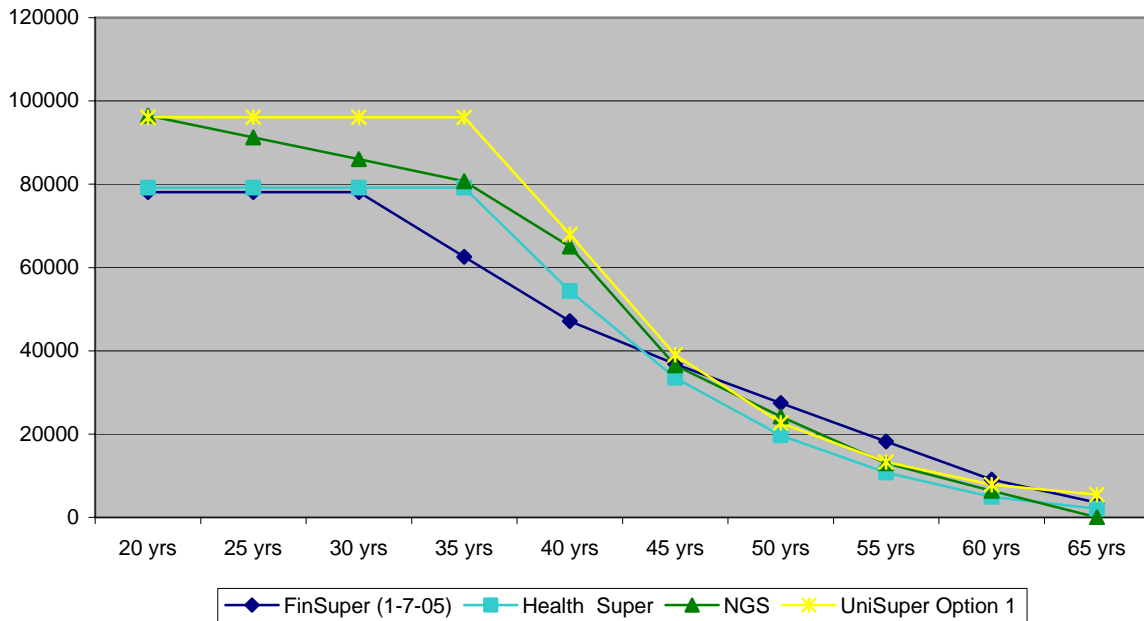
## Enhancements

Overall these new rates place UniSuper in a more competitive position, particularly with the younger age groups, as highlighted in the graphs below:

### Insurance Comparison/Rainmaker



### Insurance Comparison SuperRatings



Plan/Option (After tax and after fees)	Performance Measure	2006			2005 Dec qtr	1yr % p.a	3yr % p.a	5yr % p.a	Calendar Years			
		Sep qtr	Jun qtr	Mar qtr					2005	2004	2003	2002
SRI Investment Option <sup>1</sup>	UniSuper	2.8	-0.7	9.0	4.2	16.0	17.6	n.a.	18.7	16.7	10.4	n.a.
	Benchmark	3.3	-1.7	8.0	4.4	14.4	17.3	n.a.	18.5	18.8	11.7	n.a.
	Median	2.8	-1.8	8.4	4.4	14.3	17.4	n.a.	19.5	19.2	11.6	n.a.
Shares Option	UniSuper	2.9	-1.8	8.6	4.8	15.0	18.7	10.9	20.2	19.7	13.0	-14.2
	Benchmark	3.3	-1.7	8.0	4.4	14.4	17.3	10.1	18.5	18.8	11.7	-14.5
	Median	2.8	-1.8	8.4	4.4	14.3	17.4	10.2	19.5	19.2	11.6	-14.2
Defined Benefit Plan	UniSuper	2.9	-0.1	6.1	4.1	13.6	17.2	11.2	17.7	20.1	12.0	-8.2
	Benchmark	3.3	-0.7	5.5	3.9	12.5	15.5	9.8	16.0	18.0	10.9	-9.2
	Median	3.0	-1.0	6.5	4.6	12.9	15.3	9.6	17.5	18.1	8.4	-10.8
Growth Option	UniSuper	3.0	-0.2	6.9	4.0	14.2	17.0	10.9	17.0	19.3	11.4	-8.2
	Benchmark	3.5	-1.0	6.3	3.9	13.3	15.7	10.0	16.0	18.0	10.9	-9.2
	Median	3.3	-1.6	7.2	4.6	13.5	15.6	9.7	17.5	18.1	8.4	-10.8
Balanced Option	UniSuper	2.8	-0.1	5.5	3.5	12.3	14.5	9.7	14.6	16.6	10.0	-5.3
	Benchmark	3.3	-0.7	5.1	3.5	11.6	13.5	9.1	13.7	15.4	9.6	-5.5
	Median	3.0	-1.0	6.2	4.0	12.5	14.2	9.2	15.0	16.1	7.7	-7.3
Conservative Balanced Option	UniSuper	2.6	0.0	3.9	3.1	9.9	11.4	8.3	11.9	13.0	8.0	-1.8
	Benchmark	3.0	-0.4	3.7	3.0	9.6	10.7	7.7	10.9	12.2	7.7	-2.1
	Median	2.7	-0.6	4.5	3.1	10.2	11.4	7.9	12.0	13.0	6.5	-3.2
Capital Stable Option <sup>2</sup>	UniSuper	2.4	0.5	2.3	2.5	7.8	8.7	n.a.	8.9	10.4	5.8	n.a.
	Benchmark	2.7	0.1	2.3	2.4	7.6	8.2	n.a.	8.4	9.4	6.0	n.a.
	Median	2.4	-0.1	2.9	2.3	7.8	8.6	n.a.	9.0	9.8	5.3	n.a.
Cash Option	UniSuper	1.4	1.4	1.4	1.4	5.6	5.2	4.9	5.3	5.0	4.4	4.3
	Benchmark	1.3	1.2	1.2	1.2	5.0	4.8	4.5	4.9	4.8	4.2	4.0
	Median	1.3	1.2	1.3	1.2	5.0	4.8	4.6	4.9	4.9	4.2	4.0