



**APRA Review of the amendments
to the Superannuation Guarantee (Administration) Act 1992**

UNISUPER SUBMISSION

About UniSuper

UniSuper is one of Australia's largest super funds with more than 500,000 members and close to \$110 billion in funds under management. With a heritage of supporting the higher education and research sector, UniSuper opened its doors to all Australians in July 2021.

UniSuper would welcome the opportunity to discuss the submission further and to provide additional information in respect of the comments made in this submission. Should you have further queries, please contact [REDACTED] on [REDACTED] or via email [REDACTED]

UniSuper's DBD Background

UniSuper's Defined Benefit Division (DBD) was established in 1983 as a defined benefit (DB) scheme and was modelled broadly on then contemporary DB schemes in the Australian public sector and overseas peer funds. The benefit design from its outset offered full portability of benefits across all participating employers and coverage of all permanent employees in the sector, including general, academic and professional staff.

The multi-employer nature of UniSuper led to some important distinguishing features from its commencement, in particular:

- a fixed contribution rate of 14% of salary p.a. for employers and 7% of salary p.a. for contributing members;
- by covering the whole university sector, members can maintain defined benefit membership when transferring between employers within the sector;
- members can defer their benefits (so maintain membership) through periods when not employed in the university sector;
- a formula-based benefit related to member's salary, tenure and employment experience.

The DBD remains funded by a 14% employer contribution and 7% default member contribution (which members can reduce with appropriate benefit adjustments). Many members also receive an additional 3% "award" contribution paid into an associated accumulation account, making a total employer contribution of 17%.

We also manage two defined contribution, accumulation-style accounts. Accumulation 1 is for members who are not entitled to DBD membership and Accumulation 2 is based on the same 14%/17% employer contributions paid by participating employers for those who opt out of DBD membership.

| QUESTION | RESPONSE |
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| 1. Do you currently have any DB schemes that are open to new members? If so, how many? | Yes. One, UniSuper's Defined Benefit Division (DBD) |
| 2. Have any of your DB schemes closed to new members since 30 June 2020? If yes, what was the reason for closing the scheme? | <p>No, the DBD has not been closed to new members. However, in response to the combined effects of the choice and stapling reforms, we were required to change our DBD from a default product (which operated on an opt-out basis) to a choice product (which operates on an opt-in basis) from 1 November 2021.</p> <p>Since the change from a default product to a choice product, 288 members have joined the DBD in the last 8 months of the financial year (i.e., from 1 November 2021 to 30 June 2022). Prior to the change, 4,299 joined between 1 July 2021 and 31 October 2021 (i.e., the first 4 months of the financial year).</p> <p>In the previous full financial year, 8,253 joined between 1 July 2020 and 30 June 2021.</p> |

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| <p>3. Have you wound-up any DB schemes since 30 June 2020? If so, what was the reason for winding up the scheme?</p> | <p>No.</p> |
| <p>4. How have the amendments affected your DB scheme(s)? In particular, have the amendments affected the operation, profitability, funding and viability of your DB scheme(s)? Please provide details, including any impact on the vested benefits index (VBI) resulting from the changes.</p> | <p>There has been no direct impact from this change on profitability, funding or viability of UniSuper's DBD that has been observed so far. However, note our response to question 2. Also note there is ongoing monitoring of adverse selection risks (and its impact) of the DBD being open to new members as an opt-in.</p> <p>Further see Table 1 below which outlines the DBD's funding positions based on both the Accrued Benefits Index (ABI) and the Vested Benefits Index (VBI) measures for the past two years.</p> |
| <p>5. Have you taken any actions as a direct consequence of the amendments? For example, have you provided information about the amendments, and their impact, to members? If so, please provide details about these actions.</p> | <p>We wrote to participating employers about the new law, focussing on minor Trust Deed amendments that clarified when a member exercises their statutory right to choose a different superannuation fund to receive their compulsory 'superannuation guarantee' contributions, participating employers can pay all contributions for that employee to the chosen fund.</p> <p>We took this action because the choice reforms conflicted with agreements with employer sponsors to enrol new default members into the DBD. The choice reforms would have left employer sponsors in a predicament whereby they could not comply with their contractual obligations and the choice reforms. In good faith, and as a responsible organisation, we respected the Government's policy and provided comfort to employer sponsors that they need not feel constrained by those contractual obligations.</p> |
| <p>6. How many members of your DB scheme have opened, or moved to, non-DB products since 1 January 2021? Please provide details where you are aware these members have done so, to access choice of fund.</p> | <p>Table 2 below shows movements from our DBD which are likely prompted by one of two reasons: one, ceasing employment with a participating employer and leaving the sector and retaining an Accumulation 1 account; two, members have also been able to move between our defined benefit division to our Accumulation 2 option within the first 24 months of their membership</p> |
| <p>7. Are there any members for whom notional contributions were made into your DB scheme under a workplace determination or enterprise agreement in circumstances not covered by ss. 20(2) to (3A)? Please provide details about the number of members affected and how many are eligible for choice of fund as a result of the amendments made by the Act.</p> | <p>We are not aware of any members affected by this.</p> |

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| <p>8. How many of the employers of the members of your DB scheme offered choice of fund to the members as a result of the amendments? Where this has been the case, how has this choice been offered to members?</p> | <p>We understand that the Choice of Fund under these amendments is to be offered when new enterprise agreements (EAs) are made on or after 1 January 2021. While we are not a party to the EAs in the higher education sector, it is our understanding that since this change existing EAs have yet to be remade but are currently being negotiated between industrial parties.</p> |
| <p>9. Do your fund rules permit employers to offer choice of fund on a voluntary basis? If so, have any employers offered choice of fund to any members of your DB scheme on a voluntary basis since 1 January 2021? How has this choice been offered to members?</p> | <p>While we are not involved in negotiating enterprise agreements, we would imagine that all employer sponsors would offer choice as required by the law (noting there is a long-standing exemption in respect of people who are already defined benefit members), especially in light of the communication we provided to employer sponsors that there was no fetter from UniSuper's perspective from them doing so.</p> |
| <p>10. Have any employers ceased to provide choice of fund to employees who fall within ss. 20(3A) and do they now contribute to the DB scheme in respect of those employees as a result of this amendment?</p> | <p>We are not aware of any instances of this.</p> |
| <p>11. Before September 2020, were any of the employers of members of your DB scheme subject to a penalty increase in the SG shortfall under subsection 19(2B) as a result of not providing choice of fund to members of the DB scheme who would otherwise have fallen within the new s. 20(3A)?</p> | <p>We are not aware of any instances of this.</p> |
| <p>12. Please provide any other information relating to the impacts of ss. 20(3A) (if any) on your DB scheme.</p> | <p>There has been no direct impact from the Choice of Fund change that has been observed to date</p> |
| <p>13. Do you have any further comments to make about the impact of these amendments beyond those outlined above?</p> | <p>While there has been no direct impact from the Choice of Fund change that has been observed to date, other changes to superannuation law, in particular, stapling have necessitated changes to the way members join our Defined Benefit Division. Since November 2021, new employees eligible for defined benefit membership and no longer defaulted into the DBD, instead if they choose UniSuper or are defaulted, they are enrolled in our Accumulation 1 account and have 24 months to join the DBD.</p> |

Table 1 Funding position of UniSuper's DBD

| AS AT | ABI | VBI |
|--------------|--------|--------|
| 30-June-2021 | 134.2% | 121.3% |
| 30-June-2022 | 135.7% | 121.0% |

Table 2 Movements from UniSuper's DBD to Accumulation 1 or 2

| MOVEMENTS FROM DEFINED BENEFIT TO ACCUMULATION 1 OR 2 | | | |
|---|-------|----------------|----------------|
| Year | Month | Accumulation 1 | Accumulation 2 |
| 2021 | 1 | 724 | 286 |
| 2021 | 2 | 958 | 266 |
| 2021 | 3 | 1,674 | 212 |
| 2021 | 4 | 969 | 210 |
| 2021 | 5 | 872 | 226 |
| 2021 | 6 | 693 | 268 |
| 2021 | 7 | 667 | 309 |
| 2021 | 8 | 610 | 296 |
| 2021 | 9 | 867 | 229 |
| 2021 | 10 | 661 | 244 |
| 2021 | 11 | 638 | 196 |

| | | | |
|------|----|---------------|--------------|
| 2021 | 12 | 628 | 206 |
| 2022 | 1 | 647 | 221 |
| 2022 | 2 | 645 | 141 |
| 2022 | 3 | 993 | 107 |
| 2022 | 4 | 744 | 69 |
| 2022 | 5 | 776 | 51 |
| 2022 | 6 | 659 | 71 |
| | | 14,425 | 3,608 |

Table 3 to the extent not already reported to APRA, please provide the data requested in the table below

| | 30 JUNE 2020 | 30 JUNE 2021 | 31 MAY 2022 |
|---|---------------------|---------------------|--------------------|
| How many DB schemes are under your trusteeship? (both open and closed to new members) | One, the DBD | One, the DBD | One, the DBD |
| How many DB members are in each of your DB schemes? | 93,490 | 90,425 | 84,395 |
| How many members joined your open DB schemes in the previous 12 months? | 10,694 | 8,073 | 3,693 |
| How many members exited your DB schemes in the previous 12 months? | 8,713 | 11,138 | 9,723 |

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|---|--------------|--------------|--------------|
| What is the total assets held your DB schemes? (\$'000) | 27,671,000 * | 30,067,000 * | 31,274,236 * |
|---|--------------|--------------|--------------|

*The total assets reported align to the SRF533.1 reporting standard and reflect the raw Investment Assets held under the Defined Benefit Plan.