Fact sheet

Defined Benefit Scheme – deferred account

For members who left the fund after 1 July 1988

This guide provides a summary of your deferred (left after 1988) account and should be read in conjunction with your benefit estimate or statement.

What to expect in this guide

If there are any inconsistencies between this summary and the trust deed, the trust deed will prevail.

1 What's a deferred benefit?

A deferred benefit represents the part(s) of your former defined benefit account that has become deferred since the date you changed employers or stopped contributing to the Defined Benefit Scheme. This amount is deferred until you become eligible to receive it.

A defined benefit is where your super benefit is determined by a formula (set out in the fund's trust deed), which is usually based on your salary. Your employer contributes to the amount needed to enable the fund to pay the benefit to you, based on agreed contribution rates and other variables such as inflation.

You may also have an accumulation (super) account to receive contributions paid by your employer, which are based on your ordinary time earnings.

For more information about the features and conditions of your accumulation account please refer to the *Product Disclosure Statement* available from **aware.com.au/pds** or call us on **1300 650 873**.

2 How your deferred benefit is calculated

Your account gives you two payment options when you retire on or after age 55, or should you become permanently disabled or die. Accordingly, either you, your eligible dependants or legal personal representative can choose one of the following two options.

Option 1 – Lump sum only

Your lump sum amount is adjusted twice yearly in accordance with CPI movements.

Option 2 – Lump sum and pension

Lump sum

We maintain two accounts for your lump sum:

- Earnings-based account – updated with the defined benefit rate of return, and
- Defined account – updated every six months in accordance with consumer price index (CPI) movements.

To determine your lump sum benefit as at the date of your benefit estimate or statement, we take the higher amount of these two account balances at that date, assuming a lump sum benefit is payable to you under the terms of the trust deed.

Pension

Your pension is updated twice yearly in accordance with Consumer Price Index (CPI) movements.

If you are under age 55

Your benefit estimate or statement shows your fortnightly pension value when you turn 55.

If you are age 55 or over

Your benefit estimate or statement shows your fortnightly pension value if you were to start having your pension paid as at the date of the benefit estimate or statement.

Until you turn 65 your pension is discounted from its full value using the appropriate age factors as set out in the fund's trust deed. If you elect to take your pension before age 65, the discounted amount is the amount you will be paid for life, plus twice-yearly changes according to CPI movements.

3 How your supplementary account benefit is calculated (if applicable)

You may also have a supplementary account. This account relates to the additional contributions that you made prior to 1 January 1994. The supplementary account is an earnings-based account that is maintained on your behalf alongside your deferred account.

The supplementary account is updated with investment returns at the defined benefit rate of return each year. You can see the earning rates applicable for previous financial years in the long-term defined benefit returns table on your annual statement.

Any supplementary account benefit is included in your benefit estimate or statement along with your deferred account benefit.

4 How the CPI updates work

Movements in the CPI are provided by the Australian Bureau of Statistics and are pro-rated over the number of days your pension or lump sum is in your account, from the time that your defined benefit is transferred into the deferred account.

Applying the CPI helps your lump sum and/or pension retain the same purchasing value in line with inflation over time.

Deferred entitlements are updated in June and December each year in accordance with movements in the CPI rate that is applicable to the preceding six month period.

For example, for the increase that is applied in June, the CPI rate applicable is taken from the previous July to December period.

If you exited the fund in May, the adjustment applicable for the period January to May is taken from the previous July to December period and is pro-rated accordingly.

5 Payment of your deferred benefit

Under government legislation, preserved benefits must remain in a superannuation account until a condition of release is met. For Australian citizens and permanent residents, your benefit may be released if you:

- reach your preservation age and permanently retire, leave your employer after age 60, or turn 65

- apply for the release of your entitlements due to severe financial hardship or on compassionate grounds
- die, become permanently incapacitated or terminally ill.

Payment conditions under the trust deed must also be satisfied. For more information about the preservation rules and conditions of release, including a full list of release conditions, visit **aware.com.au/factsheets** or call us.

If you die

If you die while you are a member of the Defined Benefit Scheme, your eligible dependants will receive a death benefit.

Option 1 – Lump sum only

The lump sum amount is updated with CPI movements to the date of your death. Your benefit is paid to your eligible dependants (as defined under the trust deed). If you have no dependants, the amount is paid to your estate.

Option 2 – Lump sum and pension

The higher amount of the earnings-based lump sum account and the defined lump sum account (see page 2) is paid to your eligible dependants (as defined under the fund's trust deed). If you have no dependants, the amount is paid to your estate.

The pension entitlement is payable to your eligible spouse for life (two-thirds of the age 65 pension value, regardless of his/her age). If you have eligible dependent children, a child allowance

is also payable (subject to certain conditions). If you have an eligible spouse and dependent children, both payments are payable. If you have no spouse or dependent children, a refund of pension contributions will be paid to the estate.

If you become permanently disabled

If you become totally and permanently disabled you will receive a benefit.

Option 1 – Lump sum only

The lump sum amount is updated with CPI movements to the date you become permanently disabled. The amount is paid to you.

Option 2 – Lump sum and pension

The higher amount of the earnings-based lump sum account and the defined lump sum account (see page 1) up to the date you become permanently disabled is paid to you.

The age 65 fortnightly pension amount becomes payable, regardless of your age. If there are eligible dependent children, a child allowance for each child is also payable (subject to certain conditions).

Beneficiary nominations

Defined benefit members can make binding death beneficiary nominations for the lump sum component of their account (excluding any lifetime pension).
If there is a valid binding death benefit nomination in place at the time of death, we will pay a lump sum to each of the nominated beneficiaries in the proportions specified, provided the nomination remains valid.
A binding death benefit nomination:

- is valid for a period of three years if it is a lapsing nomination
- does not expire if it is a non-lapsing nomination
- is invalid if one or more beneficiaries die or no longer meet the definition of 'dependant' at the time of your death.

To make a binding nomination, download the form from **aware.com.au/nominate** or call us and we will send you the form. We also have forms to enable you to change, renew or cancel your nomination. Details of any binding beneficiaries will be shown on your next statement.

Who can receive a death benefit?

The person(s) you nominate under a binding nomination must be a 'dependant' (as defined under superannuation law, and the fund's trust deed) or your legal personal representative. Your legal personal representative is the executor or administrator of your estate.

Dependants can include one or more of the following at the time the trustee pays the benefit:

- your current spouse or de facto
- your children, including step, adopted and ex-nuptial children
- any person(s) financially dependent on you, or
- a person in an interdependency relationship with you.

More information about dependants and how your super is distributed after your death can be found on our website.

Long term defined benefit returns

The earnings-based account for the lump sum in Option 2 is updated with the defined benefit rate of return. The returns for each of the last five years, including the five and ten-year compound average returns, are shown on your latest annual statement. Please remember, past performance is not an indication of future performance.

Your estimated benefit entitlements

Your benefit estimate or statement provides an estimate of significant benefit entitlements. These estimates are indicative only and are not a promise of any particular benefit or amount. Any benefits paid are subject to preservation rules and are in addition to the superannuation guarantee contributions your employer pays into your accumulation account (if applicable).

6 Transferring your balance

If you are under age 55

Under the trust deed, you may transfer your lump sum (Option 1 only) at its discounted present-day value. You can move this into an accumulation account within the fund or transfer it to another complying fund of your choice where your money will attract investment returns based on your chosen investments, instead of CPI. By doing this you will be voluntarily leaving the Defined Benefit Scheme and you lose the right to option 2 benefits.

What does discounted present day value mean?

A discount rate of 4% compounded annually will be subtracted from the lump sum amount (under Option 1) in your deferred benefit account for every year (including part thereof) that you are under age 55.

This discounted benefit is classified as preserved and therefore cannot be paid to you as a cash benefit. It must go into another superannuation account.

If you are age 55 or over

You can transfer your lump sum into an accumulation account within the fund or another complying superannuation fund of your choice. By doing this your money will attract investment returns at the rate applicable to your chosen investments instead of CPI adjustments. At or after age 55 your lump sum deferred benefit is no longer subject to the 4% discounting rate.

You should seek professional financial advice before you decide to transfer your benefit. You can find more information about our accumulation account at **aware.com.au/pds**

7 Investment fees and costs, and transaction costs

Investment fees and costs and transaction costs only apply to your earnings-based account and not your defined account. These fees reflect a broad range of fees and costs associated with the purchase/sale and ongoing management of investments of the scheme and underlying investment vehicles.

Investment fees and costs and transaction costs are paid from the assets of the scheme, and are not deducted directly from your defined benefits. The defined benefit rates of return are calculated after investment fees and costs and transaction costs and relevant tax deductions.

The investment fees and costs and transaction costs in the table below are indicative only and based on the fees and costs incurred for the year ended 30 June 2024, other than performance fees which are a five-year average. The amounts incurred in future years will depend on the fees and costs incurred by the trustee in managing the Defined Benefit Scheme. **Past costs are not a reliable indicator of future costs.**

Investment fees and costs				
Investment base fees	Performance fees 5-year average	**Total investment fees and costs**	**Transaction costs**	**Total investment fees and costs and transaction costs**
0.10%	0.24%	**0.34%**	0.01%	**0.35%**

Investment base fees

Investment base fees include:

- fees paid to investment managers,
- the costs of the Aware Super Investment team,
- amounts paid to third parties, such as our custodian, asset consultants, valuers, accountants, auditors and tax specialists,
- the estimated costs of over-the-counter (OTC) derivatives (i.e. derivative contracts traded directly between two parties, rather than on a listed financial market), and
- securities lending costs.

Investment base fees may vary from year-to-year and we can't calculate them precisely in advance.

Performance fees

While we don't charge performance fees directly, we have performance fee arrangements with a number of external investment managers in place. These managers receive (or accrue) performance fees if they generate investment returns that exceed an agreed level. Investment managers with performance fee arrangements are generally also paid a base management fee. However, the base management fee for these managers is typically lower than we consider it likely to be if there were no performance fee arrangement.

When our external managers with performance fee arrangements perform well, investment fees and costs will typically be higher, and performance fees may be payable even when the performance of the Defined Benefit Scheme as a whole does not exceed its performance objective.

Performance fees are typically accrued at a frequency consistent with the valuation cycle of the relevant asset or portfolio. This means the valuations for the relevant investments factor in any performance fees owing. These accrued amounts are included in the performance fee amounts we report and can go up and down over time. In some years, performance fees may be negative which indicates that the amount of performance fees owing decreased over the relevant financial year. Note that performance fees are generally only paid once an investment is sold, and not all accrued performance fees will necessarily be paid.

Performance fees are part of investment fees and costs, and like investment base fees, can vary from year to year. The actual amount of performance fees incurred in a particular financial year will depend on:

- the individual performance fee arrangements with investment managers,
- the investment returns for these investments, and
- the allocation of the Defined Benefit Scheme to these investments.

Performance fees are an average of the last five financial years.

Transaction costs

Transaction costs may be incurred directly by the scheme or through an underlying investment vehicle when buying and selling their assets. Transaction costs are deducted from the assets of the fund or an underlying investment vehicle and are an additional cost.

Transaction costs can include:

- brokerage costs (the amount paid to a broker when buying and selling underlying securities, for example shares),
- settlement and clearing costs,
- stamp duty (a government tax paid on the transfer of certain assets or property from one owner to another),
- due diligence costs on investment transactions, for example legal and advisory costs, and
- buy/sell spreads on underlying investment vehicles.

Transaction costs will vary from year to year depending on the asset classes held within the scheme and the type, size and frequency of transactions. In general, illiquid asset classes such as property and infrastructure tend to have higher transaction costs (for example stamp duty) compared to more liquid asset classes like shares and fixed income.

Need help?

Defined Benefit Schemes can be confusing. Make sure you understand all the risks and benefits before you choose to take money out, or make any other decisions about your account.

If you have any questions, please contact us on **aware.com.au/contact** We'll be happy to put you in touch with one of our qualified financial advisers who can help you decide what's best for you.

We're here to help

Contact us

1300 650 873

aware.com.au/contact

aware.com.au/advice

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