Defined Benefit Scheme
Deferred (left before 1988) account
For members who left the fund before 1 July 1988

These Explanatory Notes provide a summary of your deferred (left before 1988) account and should be read in conjunction with your benefit estimate or statement.

The following sections outline when a benefit may be payable to you, and your payment options. The rules are complex. In the event of any inconsistency between this summary and the trust deed, the trust deed will prevail.

What is a deferred benefit?
A deferred benefit represents the component(s) of your former defined benefit account that has become deferred since the date you changed employers or ceased contributing to the Defined Benefit Scheme, and deferred until you become eligible to receive it.

You may also have an accumulation (super) account with us or another superannuation fund designed to receive Superannuation Guarantee (SG) contributions paid by your employer. These contributions are based on your ordinary time earnings. The rules applicable to any accumulation account you have in the fund are different from your former defined benefit and current deferred accounts, and are provided in the relevant Product Disclosure Statement (PDS) available at aware.com.au/pds or call us.

How your deferred benefit is calculated

Lump sum
An earnings-based account is maintained on your behalf for your lump sum. Your lump sum benefit as at the date of your benefit estimate or statement, assumes a lump sum benefit is payable to you under the terms of the trust deed at that date. This account is updated each year with investment returns at the defined benefit rate of return. The amount used to update the lump sum is displayed under ‘Your account summary’ on your benefit estimate or statement.

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

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 your 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 movements in the CPI.
How your supplementary account benefit is calculated (if applicable)

You may also have a supplementary account. This account relates to 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. For more information about the earning rates applicable for previous financial years, see the long term defined benefit returns table on your latest annual statement.

If applicable, your supplementary account benefit is summarised in your benefit estimate or statement along with your deferred account benefit.

How the CPI works

Movements in the CPI are provided by the Australian Bureau of Statistics and are pro-rated over the number of days your pension is in your account, from the time that your defined benefit is transferred into the deferred account. Applying the CPI helps your pension retain the same purchasing value in line with inflation over time.

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, situations in which your benefit may be released include if you:

- reach your preservation age (refer to the table below) and have permanently retired
- 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 payment of your benefit from the Defined Benefit Scheme, preservation rules and conditions of release, including a full list of release conditions, visit our website aware.com.au/factsheets or call us.

If you are ineligible to receive payment of your deferred benefit under the trust deed and/or the conditions of release, you may transfer the balance of your deferred account out of the Defined Benefit Scheme.

<table>
<thead>
<tr>
<th>Date of birth</th>
<th>Preservation age</th>
</tr>
</thead>
<tbody>
<tr>
<td>Before 1 July 1960</td>
<td>55</td>
</tr>
<tr>
<td>Between 1 July 1960 and 30 June 1961</td>
<td>56</td>
</tr>
<tr>
<td>Between 1 July 1961 and 30 June 1962</td>
<td>57</td>
</tr>
<tr>
<td>Between 1 July 1962 and 30 June 1963</td>
<td>58</td>
</tr>
<tr>
<td>Between 1 July 1963 and 30 June 1964</td>
<td>59</td>
</tr>
<tr>
<td>After 30 June 1964</td>
<td>60</td>
</tr>
</tbody>
</table>
If you die

Your lump sum
Your lump sum entitlement (if any) is updated with the defined benefit rate of return to the date of your death. The lump sum is paid to your eligible dependants. If there are no dependants, the lump sum will be paid to your estate.

Your fortnightly pension
• Your pension entitlement (if any) is payable to your eligible spouse for life (two thirds of the age 65 pension value, regardless of his/her age when you die).
• 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 your pension contributions will be paid as a lump sum to your estate.

If you become permanently disabled

Your lump sum
Your lump sum entitlement is updated with the defined benefit rate of return to the date that you become permanently disabled. It is paid to you.

Your fortnightly pension
If you have a pension option, the age 65 fortnightly pension amount becomes payable regardless of your age when you become permanently disabled. If you have 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-lapping 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 by Commonwealth laws, including taxation and superannuation laws, and the fund’s trust deed.
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 lump sum 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 member 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 guarantee of any particular benefit or amount.

Transferring your balance out of the Defined Benefit Scheme
The Trustee may, with your consent, transfer an amount representing the value of all or part of any benefit you have in the scheme, as determined by the trustee in conjunction with the fund’s actuary, subject to express provisions in the trust deed applicable to the scheme.

You can move this amount into an accumulation account within the fund or transfer it to another complying fund of your choice. You should seek professional financial advice before you make a decision about transferring your benefit. For information about our accumulation account, see the Product Disclosure Statement (PDS) available at aware.com.au/pds or call us.
Investment fees and costs

Investment fees 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 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 relevant tax deductions.

Investment fees may vary from year to year and cannot be precisely calculated in advance. Important: As a guide, the table below shows estimates of these fees and costs for the 12 months to 30 June 2021. However, you should remember that past costs are not a reliable indicator of future costs.

Estimated investment fees (% per year)

<table>
<thead>
<tr>
<th>Investment-related costs</th>
<th>Performance-related costs</th>
<th>Transaction costs</th>
<th>Other fees and costs</th>
<th>Total investment fees</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.23%</td>
<td>0.52%</td>
<td>0.06%</td>
<td>0.09%</td>
<td>0.90%</td>
</tr>
</tbody>
</table>

Investment-related costs

Investment-related costs reflect the fees paid to investment managers as well as the costs of the Aware Super investment team. The Aware Super team is responsible for setting the fund's investment strategy, overseeing the investment portfolios and managing our in-house investments. These costs may be paid from the fund or deducted from underlying investment vehicles.

Performance-related costs

We don't directly deduct any performance based fees from member accounts. However, we have performance fee arrangements with a number of external investment managers. These costs may be paid from the assets of the fund or deducted from underlying investment vehicles and are subject to change without notice to you.

The estimated performance-related costs for the 12 months to 30 June 2021 are shown above. A performance-related cost may be payable once performance above an agreed level has been reached and is typically capped at an upper percentage limit. If performance-related costs are payable by the fund or an underlying investment, these costs may increase the investment fees payable for that investment option. The method of calculation varies, but generally these fees are calculated as a percentage of the investment returns that exceed an agreed level of return. Generally, investment managers with performance-related fee arrangements are also paid a base management fee.

It is important to note that the amount of performance-related costs cannot be accurately predicted in advance. The actual amount of performance-related costs incurred in a particular financial year will depend on the allocation of our investment options to these investment managers and underlying investments, as well as the actual investment performance for the relevant year.

Transaction and operational costs

Transaction and operational costs are a broad category of costs that relate to the purchase/sale of the assets of the fund or an underlying fund or other investment vehicle. These costs are deducted from the assets of the fund or the underlying investment vehicle, as relevant, when they are due and payable and are an additional cost to you. Transactional and operational costs include both explicit and implicit costs. The amounts shown above reflect an estimate of all explicit transaction costs incurred for the 12 months to 30 June 2021.

Explicit transaction costs include, but are not limited to, the following:

- **Brokerage** – the amount paid to a broker when buying and selling securities, for example shares on a stock exchange. In some overseas markets stamp duty is also payable in relation to share transactions which we consider a part of brokerage.
- **Stamp duty** – a government tax paid on the legal transfer of property and certain other assets from one owner to another. As mentioned above, in certain countries stamp duty is payable in relation to equity transactions. However, the majority of the stamp duty incurred by the fund relates to investments in direct property and infrastructure where stamp duty costs can be significant.
- **Commissions** – a percentage of the sale amount paid to a selling agent, for instance, when a direct property investment such as an office building is sold. Like stamp duty, commission amounts can be substantial.
- **Buy/Sell spreads** – a charge incorporated into the application (buy)/redemption (sell) unit price of an investment product to cover the costs of transacting. Investments in certain external funds may attract buy/sell spread charges.
- **Due diligence costs** – the costs associated with researching a potential investment, for example legal and advisory costs.

In addition to explicit costs, implicit transaction costs are embedded in the price of certain investments. Implicit costs include bid/offer spreads, which are the difference between the price a buyer is willing to pay (the bid price) and the price a seller is willing to accept (the ask price) for a particular security. Bid/offer spreads may be incurred when converting one currency to another, as well as when buying and selling listed equities and fixed income securities such as bonds.

For listed securities, implicit costs may also include market impact, which refers to the effect an investor can have on the price when buying or selling an asset: typically an upward effect when buying, or downward effect when selling. In general, highly liquid securities result in lower market impact costs than less liquid securities. Many of these implicit costs are estimates as they are not known with certainty.
An estimate of implicit transaction costs for the 12 months to 30 June 2021 is provided in the table on the right, which, together with the explicit transaction costs reported above, make up the total estimated transactional and operational costs (also shown on the right).

**Other fees and costs**

The other fees and costs reflect a range of other expenses associated with the fund’s investments. This includes fees paid to the custodian to hold the assets of the fund and any amounts paid to accountants, auditors and tax specialists that help us with reporting obligations of some underlying investments. It also includes costs for the fund's securities lending program and estimated costs for the use of over-the-counter (OTC) derivatives. (OTC derivatives are private contracts traded directly between two parties rather than being traded on listed financial markets). For example, a number of foreign investments are hedged to the Australian dollar via the use of currency forward contracts, a type of OTC derivative. This helps minimise the impact of currency fluctuations on investment returns.

**Borrowing and property operating costs**

Borrowing and property operating costs are an additional cost to you of investing in certain investment options. Borrowing costs include loan establishment costs and interest payments and are most significant for illiquid asset classes such as property and infrastructure where asset prices can be substantial. Property operating costs include a range of costs associated with managing property investments, for example council and water rates, utilities and lease renewal costs.

These costs are deducted from the income or assets of the fund or an underlying investment vehicle, as relevant, when they are due and payable.

An estimate of implicit transaction costs, property operating costs and borrowing costs for the 12 months to 30 June 2021 is provided in the table below.

<table>
<thead>
<tr>
<th>Estimated implicit transaction costs</th>
<th>Total estimated transactional and operational costs</th>
<th>Estimated property operating costs</th>
<th>Estimated borrowing costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.07%</td>
<td>0.13%</td>
<td>0.07%</td>
<td>0.08%</td>
</tr>
</tbody>
</table>

It is important to note that past costs are not a reliable indicator of future costs and the amount of property operating costs, borrowing costs and transaction costs will vary from year-to-year. For transaction costs, these costs will vary depending on 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 equities and fixed income.

**Additions or alterations to fees and charges**

All fees and costs may be revised by us from time to time without your consent. For example, fees and charges may increase when there are changes in superannuation law, or there are increases in fees charged by our service providers. We may also introduce new fees and charges. We will give you at least 30 days prior notice if there is an increase in fees and charges or if a new fee or charge is introduced that affects your Deferred (left before 1988) account. This excludes investment fees which are estimates only and may vary from year to year.

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**Important information**

Personal advice requires the provider to act in the client’s best interests and take into account the client’s circumstances. These rules do not apply to general advice. This communication contains general advice only and no personal advice. We have not taken into consideration any of your objectives, financial situation or needs or any information we hold about you when providing this general advice. Further this communication does not contain, and should not be read as containing, any recommendations to you in relation to your product. Before taking any action, you should consider whether the general advice contained in this communication is appropriate to you having regard to your circumstances and needs, and seek appropriate professional advice if you think you need it. Contact us to make an appointment to see one of our representatives. You should also read our product disclosure statement before making a decision about Aware Super. Call us or visit our website for a copy. Issued by Aware Super Pty Ltd ABN 11 118 202 672, AFSL 293340, the trustee of Aware Super ABN 53 226 460 365. Financial planning services are provided by our wholly owned financial planning business Aware Financial Services Australia Limited, ABN 86 003 742 756, AFSL No. 238430. You should read their Financial Services Guide before making a decision.