

## What is unitisation?

Unitisation is a means by which the net assets of the MSB Fund can be attributed to the individual Member of MilitarySuper. It essentially entails the MSB Fund being divided into a number of units, and each MilitarySuper Member therefore holding a number of those units at any point in time.

Similar in concept to purchasing shares, when MilitarySuper Members contribute to the Fund they will be allocated additional units depending on the size of their contributions, their choice of Investment Strategies and the unit prices on the day the contributions are processed. On the other hand, when Members receive a benefit from the Fund, they will be effectively 'cashing in' or redeeming their units at the applicable unit prices.

Earnings arising from the investments of the Fund are, in turn, reflected in the daily price of the units.

## Why is the MSB Fund unitised?

Previously the MSB Scheme Rules required the MSB Board to declare an annual crediting rate and monthly exit rates. Interest rates were a means of distributing the investment earnings of the Fund to MilitarySuper funded Member and employer (productivity) contributions. Interest rates were also applied to the unfunded components (such as the DFRDB transfer values) which tracked the earning rates of the Fund.

The MSB Board has a policy of distributing all of its investment income to Members, (i.e. it does not maintain a reserve to smooth out fluctuations in investment income). The MSB Board had declared both negative as well as positive interest rates since the introduction of the Scheme in October 1991.

A better means of distributing investment earnings to Members is to update the exit rate on a daily basis, and the most practical means of doing this is to use daily unit prices. This approach has the dual advantages of providing Members with both highly visible and timely information with regard to the investment performance of the Fund.

Unitisation only applies to funded contributions and other components which track the earning rate of the Fund. The balance of the MilitarySuper unfunded Employer Benefit is not unitised.

## If you need more information ...

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