Superannuation Issues for the New Adelaide University: A Case Study

John Christie[1]* and Shiao-Lan Chou[2]

ABSTRACT

Two of the three large public universities in South Australia have amalgamated. The University of Adelaide and the University of South Australia and the Government of South Australia signed a Heads of Agreement to effectively merge the universities from January 1, 2026. A new university has formed called Adelaide University as a result of a joint venture between the two universities. A number of important superannuation issues are raised by the formation of a new university, and such an unprecedented joint venture has not occurred in Australia before. This paper examines the superannuation issues and unfunded superannuation liabilities which arise and their potential impact. The most important issue is an unfunded superannuation liability of over $290 million for the universities combined, which is currently covered by the Government of South Australia and the Australian Government. A successful merger in South Australia may lead to the consolidation of universities in other states of Australia[3].

Keywords unfunded superannuation liabilities, university amalgamation, defined benefit schemes, employer superannuation contributions, enterprise bargaining

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[1] Adelaide University, Australia. Corresponding Author. john.christie@adelaide.edu.au
[2] shiao-lan.chou@adelaide.edu.au
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1. INTRODUCTION

The historic announcement of the effective amalgamation of The University of Adelaide and the University of South Australia raises some important questions regarding superannuation. The new Adelaide University, fully operational from January 1, 2026, is a joint venture of the two existing universities. The new university was officially launched on July 15, 2024, and is being referred to as the University of the Future. It is the first university of its kind in Australia as a result of the joint venture. Amalgamations of this scale in Higher Education in Australia have not occurred since the early 1990's. The Government of South Australia, when in opposition, had a university merger policy at the 2022 State Election to create a large university to compete with the large universities in the eastern states of Australia and boost the South Australian economy.

The University of Adelaide is a sandstone university which was founded in 1874 (Duncan & Leonard, 1973). The university celebrated its 150th anniversary in 2024, but its operation will end in 2026. It has 4 campuses with its main campus in the Adelaide Central Business District (CBD) and smaller campuses at Waite in metropolitan Adelaide, Roseworthy in regional South Australia and in Melbourne in Victoria. The University of South Australia was formed in 1991 through amalgamations (Mildred, 2002) but has a long history dating back to 1889 with the South Australian School of Mines and Industries (Aeuckens, 1989). It has 6 campuses with City East and City West in the Adelaide CBD, Magill and Mawson Lakes in metropolitan Adelaide and smaller campuses in Mount Gambier and Whyalla in regional South Australia. The new university will be the biggest educator of domestic students in Australia. Public universities in Australia are primarily funded by the Australian Government through a combination of teaching, research and other funding programs. The three large public universities in South Australia were The University of Adelaide, the University of South Australia and The Flinders University of South Australia. It is also relevant to note that compulsory employer superannuation contributions were introduced in Australia in 1992 (Donald et al., 2016) as the Superannuation Guarantee (SG).

After the introduction in Section 1, issues regarding the Defined Benefit Division of UniSuper are analysed in Section 2. Retention of the 17 per cent employer superannuation contribution is considered in Section 3. The existing universities in South Australia have large unfunded superannuation liabilities as a result of mergers in 1991 which are examined in Section 4. An old University of Adelaide superannuation scheme still operating is discussed in Section 5. Finally, some conclusions are given in Section 6. There is a gap in the research literature because this kind of joint venture has never been tried in Australia before. This is a qualitative case study using document analysis.

2. DEFINED BENEFIT DIVISION OF UNISUPER

The superannuation scheme UniSuper is owned by the 37 public universities in Australia. The Defined Benefit Division (DBD) is a defined benefit superannuation fund (Mees & Brigden, 2017) of UniSuper and is examined in detail in Christie (2023) and Dixon (2013) where some structural problems of the DBD are analysed. Current members of the DBD are generally unable to leave the DBD while they remain in employment in one of the 37 public universities. The University of the Future is a new legal entity, created by an Act of the Parliament of South Australia, namely from the Adelaide University Act 2023. Therefore, it may be possible that members of the DBD at the existing University of Adelaide or University of South Australia are able to leave the DBD, after their current university transfers their employment. Staff at the two universities will have a new employer. This is an important issue for such DBD members.

However, the university has advised that it will not be possible to leave the DBD on transfer to Adelaide University. It is noted that the DBD is still open to new eligible members. Staff have been transferred in their employment to the new Adelaide University in January, 2025 (professional staff), and May, 2025 (academic staff).

For DBD members joining a new employer in a DBD-eligible role, their employer will continue their current DBD account, on the condition that they joined the DBD before November 2, 2021 (UniSuper, 2025). It is also noted that recent choice of superannuation fund legislation implemented by the Australian Government generally only applies to accumulation funds and does not apply to the DBD of UniSuper (Donald, 2025).

3. EMPLOYER SUPERANNUATION CONTRIBUTIONS

It is important that the current 17 per cent employer superannuation contribution be maintained by the new Adelaide University for fixed-term and continuing employees. In 2026, the employers will only be required legally to make a minimum 12 per cent superannuation contribution for their employees as the Superannuation Guarantee (SG). The SG has increased to 12 per cent on July 1, 2025. If the new Adelaide University only pays 12 per cent SG, then this would have big implications for members of the DBD as a minimum 21 per cent employee plus employer superannuation contribution is required to the DBD to maintain the Average Contribution Factor (ACF) at 100 per cent in the DBD benefit formula. An employee's DBD benefit is directly proportional to the ACF. The default employee contribution to the DBD is currently 7 per cent but can be reduced by a member, however any reduction is irreversible. One of the goals of the SG is to reduce the dependence of the Australian Government pension system (Kingston & Thorp, 2019). The new Adelaide University Enterprise Agreement protects the 17 per cent employer superannuation contribution. The Enterprise Bargaining process has been difficult (Rodd, 2025), and note that Enterprise Bargaining did not exist in Australia when university mergers last occurred in the early 1990's. A Heads of Agreement has been signed by Adelaide University and the National Tertiary Education Union on December 15, 2025, with of conclusion of Enterprise Bargaining negotiations in June, 2026. An Enterprise Agreement has been approved by Adelaide University staff in July, 2026.

4. UNFUNDED SUPERANNUATION LIABILITIES

At the end of 2025, the University of South Australia had an unfunded superannuation liability of $251.60 million (University of South Australia, 2026). At the end of 2025, The University of Adelaide had an unfunded superannuation liability of $41.4 million (University of Adelaide, 2026). These liabilities are currently covered by the Government of South Australia and the Australian Government. They have arisen as a result of old Government of South Australia superannuation schemes. It is recommended that State and Federal Governments continue to cover these unfunded superannuation liabilities for the University of the Future. This is a very important issue given the large amount of money involved. If the new Adelaide University is required to cover these unfunded superannuation liabilities, then it will leave a large hole in its budget beginning in 2026. It may need to sell assets such as land to fill this budget hole. The University of South Australia has recently transferred land to the Government of South Australia at Magill Campus for $64.5 million and at Mawson Lakes Campus for $50 million.

As a comparison, The Flinders University of South Australia had an unfunded superannuation liability of $33.6 million at the end of 2025 (Flinders University of South

Australia, 2026). This unfunded liability is currently covered by the Government of South Australia and the Australian Government. The total one off costs of the amalgamation are estimated to be $500 – 650 million (Joint Project Management Office, 2023). These costs are projected to be mostly funded from the cash positions of the two foundation universities. The new Adelaide University will be looking for synergies and economies of scale to reduce costs.

Defined benefit superannuation schemes are subject to longevity risk. Life expectancy in Australia is increasing and this could therefore increase unfunded superannuation liabilities at the 3 public universities in South Australia as lifetime superannuation pensions will need to be paid on average for a longer period. Note that the Government of South Australia has recently committed to a funding package of $465.5 million for the new Adelaide University but there is no mention of superannuation in this package. Also, Flinders University does not have access to this package which will place it at a competitive disadvantage. The formation of a large new Adelaide University will result in a potentially highly ranked university over time but will mean only 2 public universities in South Australia. There was a parliamentary enquiry into the amalgamation but the final report (Parliament South Australia, 2023) makes no mention of superannuation. The funding package includes $320 million for two perpetual funds but it is only the returns of the funds that the new Adelaide University will receive. The perpetual funds will be invested with the Superannuation Funds Management Corporation of South Australia, also known as Funds SA, in accordance with Fund guidelines. The new university will receive no money from the perpetual funds in years of negative returns.

The University of Adelaide merged with the City campus of the South Australian College of Advanced Education (SACAE) and Roseworthy Agricultural College in 1991 (O'Brien, 2015). The University of South Australia was formed in 1991 through an amalgamation of the South Australian Institute of Technology with the Magill, Salisbury and Underdale campuses of SACAE (Mackinnon, 2016). The Sturt campus of SACAE merged with The Flinders University of South Australia in 1991 (Hilliard, 1991). Employees of SACAE and Roseworthy Agricultural College were generally members of Government of South Australia superannuation schemes. These are the State Pension Scheme and the State Lump Sum Scheme. Their terms of employment to The University of Adelaide or the University of South Australia in 1991 protected their membership of these schemes. The State Pension Scheme was closed to new members in 1986 and the subsequent State Lump Sum Scheme was closed to new members in 1994 when it was replaced by the Triple S accumulation scheme which is the default scheme for State Public Servants today. These three schemes are managed by the South Australian Superannuation Board, also known as the Super SA Board, which engages the services of the State Superannuation Office, also known as Super SA, to administer these schemes on its behalf. Money in the schemes is invested with Funds SA.

The State Pension Scheme is a defined benefit scheme and the State Lump Sum Scheme is a hybrid scheme, and defined benefit components are guaranteed by the State Government of South Australia. The Government of South Australia had projected unfunded superannuation liabilities of $5,448 million on June 30, 2025 (Government of South Australia, 2026). Hence, some of the unfunded superannuation liabilities of The University of Adelaide and University of South Australia are covered by the Government of South Australia which itself has unfunded superannuation liabilities of more than $5.4 billion. The total budget expenditure for the Government of South Australia in the 2025 – 2026 financial year is estimated as $32.479 billion (Government of South Australia, 2026). This comparison shows how large the unfunded superannuation liabilities are.

Members of the State Pension Scheme and State Lump Sum Scheme need to continue to have their membership protected if they are employed by the new Adelaide University. If they were forced to join UniSuper instead then they could potentially lose a lot of superannuation money. In The University of Adelaide Enterprise Agreement 2023 – 2025, clause 3.3.3 states 'For staff members with an existing entitlement to retain membership in a State superannuation scheme or the University of Adelaide Superannuation Scheme A 1985, the University will make employer superannuation contributions in accordance with the relevant scheme as varied from time to time.' However, there is no equivalent clause in the University of South Australia Enterprise Agreement 2023. Clause 29.2 states 'All employer superannuation contributions must be made to a complying fund as required by the SGA Act and, unless otherwise required by law, will be made to UniSuper.'

The previous agreement, namely the University of South Australia Enterprise Agreement 2019, had clause 29.1 stating 'Except as provided for in clause 29.3, the University agrees that for the life of this Agreement, it will maintain the current arrangements for superannuation in respect to access to superannuation schemes and contribution rates, including the terms and conditions of the Tertiary Education Sector Superannuation Scheme – Superannuation Award 1988, that are in effect as of the date of approval of this Agreement. Except that employer superannuation contributions for casual staff will be in accordance with the percentages in Section 19 (2) of the Superannuation Guarantee (Administration) Act 1992 (as amended or replaced).' The new Adelaide University Enterprise Agreement makes it clear that membership of State superannuation schemes is protected by the terms of employment for members of these schemes. The Adelaide University Act 2023 in Part 7, Division 6, Section 19 allows for the new Adelaide University to enter into arrangements with the South Australian Superannuation Board. The Adelaide University Enterprise Agreement 2026 in clause 32.3 states 'For staff members with an existing entitlement to retain membership in a State superannuation scheme or the University of Adelaide Superannuation Scheme A 1985, the University will make employer superannuation contributions in accordance with the relevant scheme as varied from time to time'.

There could be early retirement by some staff at the university in 2026 or 2027. If staff who are members of the State Pension Scheme or State Lump Sum Scheme were to retire, then this would reduce the unfunded superannuation liabilities of the University of South Australia if retiring members were to take a lump sum superannuation benefit instead of an annuity. It is noted that The University of Adelaide has had no active staff in these two schemes since February, 2021 (University of Adelaide, 2026). In Australia, lump sum superannuation benefits are generally more popular than lifetime annuities. The lack of demand for annuities is referred to as the annuity puzzle (Iskhakov et al., 2015; O'Meara et al., 2015). Even though the Commonwealth Government preservation age for superannuation in Australia increased from 59 to 60 years of age on July 1, 2024, retirees can access the State Pension Scheme and State Lump Sum Scheme at 55 years of age. If many employees of the university retire about the same time, then this could place pressure on university budgets in terms of payouts for unused Long Service Leave entitlements. The new Adelaide University Enterprise Agreement allows access to Long Service Leave after just 7 years of service.

5. THE UNIVERSITY OF ADELAIDE SUPERANNUATION SCHEME A 1985

When the Superannuation Scheme for Australian Universities (SSAU) was formed in the 1980's, members of the inhouse The University of Adelaide Superannuation Scheme had an option of joining the SSAU or staying with the inhouse scheme. The inhouse scheme was then closed to new members. The inhouse University of Adelaide Superannuation Scheme A 1985 still operates today. At the end of 2025, it had a defined benefit present value obligation of

$15.511 million and a net defined benefit asset of $0.249 million (University of Adelaide, 2026). The University of Adelaide was liable for any shortfall of funds. With the benefit of hindsight, the scheme should have been closed in 1985. An option is to close the scheme in 2026 if it still has active members. This would apply only to a small number of current employees who were employed at The University of Adelaide in 1985. Note that the inhouse scheme is currently administered privately by AMP Superannuation Savings Trust as The University of Adelaide Superannuation Scheme A 1985 Plan No 2. The Flinders University of South Australia had a similar inhouse superannuation scheme and this was closed entirely in 1985 after the formation of the SSAU in the 1980's.

6. CONCLUSION

The superannuation issues raised in this paper involve large amounts of money. It is important that these issues are addressed in full in 2026, the first year of Adelaide University's operation. These issues show that there may be unintended consequences for the two foundation universities in superannuation in proceeding with the joint venture to create the new Adelaide University. If the joint venture results in a highly ranked and financially viable university, then it may well lead to consolidation of universities in other states of Australia. The new university will be an interesting test case. A joint venture of this type has not been tried in Australia before. There have been some successful university mergers in other countries where superannuation schemes are very different to Australia. The only university merger to occur in Australia recently is the merger of the Gippsland Campus of Monash University with Federation University Australia. There was also a merger of Melbourne University Private Limited with its parent The University of Melbourne (Cain & Hewitt, 2004). These two cases are quite different to the university merger in South Australia.

The funding package for the new university from the Government of South Australia makes no mention of superannuation. The total funding package will be significantly higher if the Government of South Australia and the Australian Government agree to continue to cover unfunded superannuation liabilities of The University of Adelaide and the University of South Australia now that the new Adelaide University is operational. As discussed in the paper, being forced to cover the unfunded superannuation liabilities would create a large budget hole for the new Adelaide University. The new university has already projected a $90 million revenue shortfall for 2026. It is recommended that the Government of South Australia and the Australian Government continue to cover the unfunded superannuation liabilities.

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