Product Disclosure Statement (‘PDS’)

Account-based Pension

and

Transition to Retirement Account-based Pension

Introduction

This PDS is relevant if you are considering drawing either **an account-based pension** or a **transition to retirement account-based pension** from the fund. It contains a summary of the important provisions of the pension payment agreement and the effects which those provisions may have on you. The *Corporations Act* requires that you be given this PDS when you apply for a pension.

If you have any questions at any time about the pension, then you should ask the fund's trustee to answer them. However, the trustee can only provide you with information – so you will need to seek your own legal, accounting and financial advice.

Words or phrases which are capitalised in this PDS are defined in Schedule 1 of this PDS.

You should consider getting professional advice about any pension

Your decisions about drawing a pension from the fund are important and involve issues including taxation, estate planning and social security. The trustee strongly recommends that you consider consulting an appropriately qualified adviser before you decide either whether to draw a pension from the fund or what type of pension to draw.

This PDS is prepared for your general information only and is not, and is not intended to be, a recommendation to draw a pension regardless of the type. This PDS does not take into account your investment objectives, financial situation or retirement planning needs. You should not base a decision whether to draw a pension, or what type of pension to draw, solely on the information in this PDS. You need to consider, and obtain advice on, the suitability of any pension in view of your investment objectives, financial situation and retirement planning needs.

Your potential benefits under the pension

When you become entitled to be paid a **lump sum benefit**, the trustee may allow you to choose to receive that lump sum in the form of regularly paid income. This is called a pension. Under the trust deed, if you are to be paid a pension, then you may choose the type of pension.

Different types of pensions operate differently and will impact on you differently. You should discuss the right type of pension for you in detail with your adviser before you select the pension you would like to receive. This PDS is relevant only if you are considering drawing either **an account-based pension** or a **transition to retirement account-based pension** from the fund.

1 Account-based Pension

If you have retired and reached preservation age (or satisfied another release condition), then you may take an account-based pension. With an account-based pension, you must receive at least one pension payment annually, but you may receive more frequent payments. The amount of your payments must be equal to or above minimum levels calculated on the basis of the amount in your pension account and your age.

2 Transition to retirement account-based pension

In some circumstances, you may be able to be paid a pension before you actually retire but after you have reached your preservation age. These pensions are referred to as 'transition to retirement pensions'.

There are two important differences between account-based pensions and transition to retirement account-based pensions:

2.1 If you are paid a transition to retirement account-based pension, then (unlike a regular account-based pension and subject to certain exceptions) in each financial year you can only be paid a maximum of 10% of the pension account balance. The pension account balance is determined at the previous 1 July or, in the first year of the pension, the pension's commencement day. A regular account-based pension has no maximum limit; and

2.2 generally you will not be able to end the transition to retirement account-based pension and cash it out as a lump sum (known as 'commuting' the pension). This is discussed in more detail below under the heading 'Can you access your capital?' at 13 below.

Another important note concerning the transition to retirement account-based pension is that the 'maximum 10% of pension account balance' rule does not apply if the pensioner has satisfied a condition of release in respect of which the cashing restriction for preserved benefits and restricted non-preserved benefits is 'Nil'. Accordingly, once this condition of release has been satisfied, the pension has no maximum limit.

3 References in this PDS to 'pension' is to both types of pension

Generally, in this PDS, a reference to 'pension' or to 'pension account' is to both an account-based pension and a transition to retirement account-based pension or the relevant account. However, if a comment in this PDS refers to only one of the types of pension or account, then the comment says which one it applies to.

4 The pension payment agreement

4.1 Before a pension can be paid to you, the trustee and you need to agree on the terms of the pension. These terms will be set out in a written pension payment agreement (**PPA**) between you and the trustee. The PPA will deal with things such as the rights and obligations of you and the trustee, and deciding the amount you will be paid each year under your pension. That amount must be equal to or above minimum amounts set by superannuation law (for the first year of your pension, these limits are pro-rated to 30 June). Generally, this minimum limit is a set percentage determined by reference to:

- for the first year of your pension, your age on the pension's commencement day; and
- for each following year, your age at each 1 July.

Your adviser can show you how your limit is calculated. Remember, there is also an annual maximum limit for transition to retirement account-based pensions.

4.2 If you start your account-based pension after 31 May in any year, then you can choose to delay the first payment until the following financial year.

4.3 The trustee can advise you of the minimum limit (and, for transition to retirement account-based pensions – the maximum limit) that apply to your pension. At any time, you may apply to the trustee to change the amount of your pension, as long as it complies with these limits.

4.4 As soon as practicable after the end of each year, the trustee will give the member a statement setting out:

4.4.1 the pension account balance;

4.4.2 the total amount of the pension to be paid to the member in the year the statement is issued; and

4.4.3 any other information the trustee considers appropriate.

You may also request the trustee to provide a pension statement at any other time during the year. However, the trustee is not under any obligation to provide that statement.

4.5 You may request that the trustee vary the annual amount, frequency or method of payment of the pension. The trustee has a discretion as to whether to approve these variations. The trustee will advise you whether a variation will be approved as soon as practicable after you make your request.

5 How your pension account is set up and your pension's effect on the fund

5.1 Once the terms of your PPA are settled, the pension account will be established in one of the two following ways:

5.1.1 **Segregated assets basis:** The trustee will transfer the assets supporting your pension into a separate sub-fund. These assets will remain in that sub-fund and will be 'segregated' from the remaining assets of the fund. Some of the implications of this approach, and associated risks, are set out in 7 below.

5.1.2 **Non-segregated assets basis:** The trustee will fund your pension from the fund's assets generally (not from any particular assets or sub-account). Some of the implications of this approach, and associated risks, are set out in 7 below.

Before you enter into the PPA, you and the trustee will need to agree whether your pension is established on a segregated assets basis or a non-segregated assets basis. Your choice will depend also on whether restrictions from adopting a particular basis are contained in the fund's trust deed. The trustee:

- will not advise you which basis to choose; and

- strongly recommends that you consider consulting an appropriately qualified adviser before you decide.

5.2 Details of what amounts will be debited or credited to your pension

6 Your pension's effect on the fund – effect on borrowing arrangements

6.1 A condition of your pension at law is that 'the capital value' of the pension and the income from it cannot be used as security for a borrowing.

6.2 The effect of this provision is that if the Fund has a limited recourse borrowing arrangement in place, whereby the trustee (through a custodian) has provided security over an asset of the fund, then the trustee may need to take steps to ensure that that asset does not comprise part of the 'capital value' of the pension to be paid to you.

6.3 You and the trustee will need to seek legal and accounting advice on this matter prior to the commencement of the pension.

The risks associated with the fund

7 Details of risks

7.1 **Changing value:** If you choose to receive an account-based pension or a transition to retirement account-based pension, then the amounts you receive are calculated by reference to the value of those fund assets (represented by the balance of your pension account) which are the source of your pension payments. The value of these assets will increase and decrease in line with movements in the underlying value of the fund's assets, for instance movements in share or property prices.

7.2 **Poor investment:** Poor investment performance may reduce the amount the trustee can pay to you – perhaps even to zero if the underlying assets are exhausted or become worthless. The trustee is responsible for choosing an appropriate investment strategy: but even with a sound investment strategy adverse economic, political or social conditions may mean the performance of investments generally is affected, reducing the value of underlying assets.

7.3 **Nature of assets:** The nature of the assets may impact on your ability to take or continue to receive a cash pension – for example, if the assets of the fund are illiquid (such as a large commercial property) then it may be difficult to make the minimum annual payment in cash. In such instances, it may become necessary to sell some of the fund's assets to enable pension payments to be made.

7.4 **Supplier:** If you have asked the trustee to purchase your pension from a third party (such as a life assurance company), then the third party manages the investments. However, you still bear the risk associated with the variations in the value of the assets which fund the pension.

7.5 As mentioned in 5.1 above, there will be additional risks associated with whether your pension is funded on a **segregated assets basis** or a **non-segregated assets basis**.

7.5.1 **Segregated assets basis**: If your pension is funded from segregated assets, then the risks relating to investment performance outlined in 7.1 to 7.2 above must be considered by reference to those segregated assets. For instance, the investment performance of those segregated assets may differ from the performance of the remaining assets in the fund. This may also occur if the trustee applies a different investment strategy to the segregated assets from the strategy the trustee applies to the remaining assets in the fund. Whether the trustee may adopt a separate investment strategy, and whether you get to choose a separate investment strategy, depends on the provisions of the fund's trust deed. You should discuss this with the trustee.

7.5.2 **Non-segregated assets basis**: If your pension is funded from non-segregated assets, then the risks relating to investment performance outlined in 7.1 and 7.2 above are those associated generally with **all** the fund's assets. There is also the additional risk associated with the fact the trustee can not adopt a separate investment strategy that is particularly appropriate to assets which are being used to fund your pension. If assets are non-segregated, then the fund's investment strategy must accommodate the assets which represent the interest of a member in the accumulation phase (if any) as well as the assets used to fund your pension.

Again, the trustee:

- will not advise you as to which basis should be preferred; and
- strongly recommends that you consider consulting an appropriately qualified adviser before you decide.

8 Debits from and Credits to your Pension Account

8.1 The trustee can deduct amounts from your pension account – for example, to meet your pension payments, to meet the fund's expenses, or to pay taxes (or to set aside for anticipated taxes).

8.2 The trustee may not charge fees in relation to the services it provides to the fund or to you.

8.3 The trustee can credit amounts to your pension account. These credits will typically be investment returns (such as dividends, interest payments and capital gains) and will depend on the investments in your pension account.

Other significant information about the fund

9 Preservation Age

Set out below are the Preservation Ages relevant to members of the fund:

- for a person born before 1 July 1960 – 55 years
- for a person born during the year 1 July 1960 to 30 June 1961 – 56 years
- for a person born during the year 1 July 1961 to 30 June 1962 – 57 years
- for aperson born during the year 1 July 1962 to 30 June 1963 – 58 years
- for a person born during the year 1 July 1963 to 30 June 1964 – 59 years
- for a person born after 30 June 1964 – 60 years.

10 Investment of fund assets

10.1 The trustee may make a wide range of investments provided that the investment accords with the trustee's investment strategy. The trustee is required to establish an investment strategy (or strategies), outlining how the assets of the fund will be invested. The trustee can alter the strategy or strategies provided the new strategies are appropriate. If the trustee offers more than one strategy, then (subject to the fund's deed and the agreement of the trustee), you may choose the appropriate strategy. But you may be restricted from choosing particular investments within the strategy.

10.2 The trustee cannot lend money from the fund to a member or to a member's relative. Also, the assets of the fund cannot be used as security for borrowing. These rules apply to assets which are being used to fund a pension.

11 Taxation

The information in this section is general only as the taxation rules applying to superannuation are complex. The trustee recommends that you speak to your adviser to properly understand your options and the tax treatment of your pension.

11.1 **Capital Gains tax on transferring assets into your pension account?**

Generally, when you move from the accumulation phase to the pension phase, if the trustee transfers fund assets into your pension account no capital gains tax is payable on that transfer.

11.2 **Tax on amounts received by the trustee or on assets in your pension account?**

Generally, while you are alive the fund will not have to pay income tax on income or capital gains attributable to the assets in your pension account.

11.3 **Tax on pension payments received by you?**

If you are 60 years of age or older and eligible to receive the pension, then payments to you will be tax free.

If you are less than 60 years of age but still eligible to receive the pension (that is, you might be receiving a transition to retirement market-linked pension), then you will be assessed on pension payments that you receive as follows:

11.3.1 the tax-free component of assets used to fund the pension (such as contributions you made from money on which you had already paid tax) is tax-free;

11.3.2 the taxable component of assets used to fund the pension which has been 'taxed in the fund' (such as compulsory super contributions made by your employer which were taxed in the fund) are taxed at your marginal tax rate with a 15% tax offset; and

11.3.3 the taxable component of assets used to fund the pension which has not been 'taxed in the fund' (such as super benefits that have come from an unfunded government super scheme) are taxed at your marginal tax rate with no offset.

11.4 Tax on commutations and transfers to another fund

Capital gains tax may be payable if you decide to stop your pension (known as commuting) or to transfer the assets supporting your pension to another superannuation fund (or both stop and transfer).

11.5 Tax on Death Benefits

The taxation treatment of death benefits from amounts still in the fund at the time of your death depends on a variety of circumstances including:

11.5.1 whether the beneficiary is dependant for superannuation purposes;

11.5.2 whether the beneficiary is also a dependant for tax purposes;

11.5.3 the form in which the benefit is paid;

11.5.4 your age when you die; and

11.5.5 the age of the person to whom the benefits are paid.

Different circumstances can have very different results. Again, the trustee recommends that you speak to your adviser to understand the options and tax treatment of your pension and benefits paid on your death.

11.6 Effect on my entitlement to a government aged pension?

The government decides whether someone is entitled to an aged pension based on a means test. They look at the value of your assets and the amount of your income. All the assets used to fund an account-based pension are taken into account in this means test. This is not the case for all pensions: for instance, if someone is paid a market-linked pension which commenced prior to 20 September 2007, then only half the assets used to fund the pension are taken into account in this means test.

12 What happens when you die?

If your account-based pension account still has assets when you die, then either of the following may occur:

12.1 if you nominated a 'reversionary pensioner' when you commenced your pension, and that person is still alive (and is a person to whom Superannuation law permits benefits to be paid – that is, they must be a 'pension dependant') then the trustee will continue to pay the pension to that person. (This nomination will override any Binding death benefit notice that you have given.)

12.2 if you have not nominated a 'reversionary pensioner' (or if the reversionary pensioner has died before you or is not eligible under Superannuation law to receive a benefit) then the balance of your account-based pension account will be paid to:

- the beneficiary/ies you nominate in any Binding death benefit notice (provided they are eligible under Superannuation law to receive a benefit – if the benefit is to be paid as a pension, then that person must be a 'pension dependant'); or
- depending on the terms of the trust deed, the dependant/s or legal personal representative the trustee chooses. You should discuss this with the trustee.

13 Can you access your capital?

Whether you can access your capital depends on the type of pension that you have. If you have:

- an account-based pension, then you will generally be able to draw lump sum withdrawals from time to time, as agreed with the trustee; or
- a transition to retirement account-based pension, then you will generally not be able to access any capital unless you have retired or satisfied another release condition (such as reaching age 65).

14 Other considerations concerning investments made by the fund

The trustee is required to inform you of whether labour standards or environmental, social or ethical considerations are, or will be, taken into account when the trustee selects, retains or realises an investment. At this stage, the trustee does not take any such considerations into account. However, the trustee may incorporate this into its investment strategy if it sees fit.

15 Changing information

Information in this PDS may change. The trustee will notify you of any changes that have a materially adverse impact on you or other significant events that affect the information in this PDS. Other information may be obtained from your financial advisor.

16 You can contact the trustee for more information

If you require more information (including information concerning the fund, the fund deed, the fund's performance or your rights as a member), then you can contact the trustee using the contact details at the beginning of this PDS.

Product Disclosure Statement – Schedule 1

Definitions

The words and phrases listed below explain some of the terms used in this PDS. You should also refer to the definitions in the pension payment agreement.

Binding death benefit notice means a notice given by a member or beneficiary to the trustee in accordance with regulation 6.17A of the Superannuation Industry (Supervision) Regulations.

Commute has the same meaning as under superannuation law. Generally, it refers to when a right to receive a **regular payment** (like pension or annuity payments) is converted into the right to receive a **lump sum payment**.

Pension means an account-based pension or a transition to retirement account-based pension, as relevant.

Pension dependant means a person who satisfies the requirements of regulation 6.21(2A) of the SIS Regulations.

PPA means the pension payment agreement under which the trustee pays the pension to you.

Preservation age means the minimum age after which your Preserved Benefits may be paid to you.

Preserved benefits means those benefits which can only be paid to you upon your Retirement.

Release condition means a condition which, when satisfied by the member, enables the trustee to pay the member a pension (or other retirement benefit), and which conditions must also be a 'condition of release' as defined in the SIS Regulations.

Retirement occurs:

- If you have reached a Preservation Age less than 60, and
    - an arrangement under which you were gainfully employed comes to an end; and
    - the trustee is reasonably satisfied that you never intend to become gainfully employed (either full time or part time); or
- if you have reached age 60 and an arrangement under which you were gainfully employed has come to an end and either of the following circumstances apply:
    - you have attained that age on or before ending employment; or
    - the trustee is reasonably satisfied that you never intend to become gainfully employed (either full time or part time).

Superannuation law means:

- any law of the Commonwealth of Australia including the *Corporations Act* 2001 and the *Social Security Act* 1991, which deals with any aspect of superannuation or taxation in relation to superannuation, and
- any lawful requirement in relation to the fund by the Commissioner of Taxation, the Australian Tax Office, APRA, ASIC or any other body that has responsibility in connection with the regulation of superannuation,

It includes changes to any superannuation law after the date of this deed. It also includes any proposed law or lawful requirement that the trustee believes may have retrospective effect.

Trust deed means the deed which contains the rules that govern the operation of the fund of which you are a member.