

Pensions

October 2017

In this document we provide details of the pension options available upon your retirement or under transition to retirement rules from the Plan. We describe the eligibility requirements to begin receiving a pension, the method of receiving pension payments and the ongoing operation of your pension account.

Key features

Key features of the pension option include:

- You can choose to convert some or all of your superannuation balance into a pension.
- You can select the level of pension payments that you require (subject to limits set by the Government).
- You can choose the frequency of payments, either monthly, quarterly, bi-annually or annually.
- You will not be charged any additional fees for converting to a pension.
- You continue to have access to all investment options available under the Plan and you can switch between options at no cost as your needs change.
- The investment earnings attributable to your pension balance will not be taxed and your portion of franking credits will be refunded to your pension account.
- If you have retired, you can generally access some or all of your pension balance as a lump sum at any time.
- You can also choose to stop your pension at any time.

Eligibility

You can apply for a pension to be paid to you provided you meet any of the following eligibility requirements:

- You have attained age 65, or
- You have attained age 55 and you have retired from the workforce, or
- You have attained age 55 and elect to receive a pension under transition to retirement rules.

Transition to retirement pensions

Transition to retirement pensions are available to working members who have attained their preservation age. The preservation age for members born before 1 July 1960 is age 55.

Transition to retirement rules are designed to allow members access to their superannuation while reducing working hours. From 1 July 2017, transition to retirement pensions no longer provide a tax exemption on investment earnings. Instead, investment earning attributable to transition to retirement pensions will be taxed at 15%.

Under Transition to retirement rules you cannot request lump sum withdrawals and the total pension payment per year cannot exceed 10% of your pension account balance at the start of that financial year.

Applying to start a pension

If you meet any of the eligibility requirements you can commence a pension by completing and forwarding to the Plan administrator a “*Pension Application Form*”. The form is available from the Plan’s website at www.prpsuper.com.au or from the Plan administrator on (03) 9691 2944.

Your application to start a pension will be assessed by the Plan administrator and you will be contacted within 7 working days confirming the details of your pension.

Upon approval of your application to start a pension, the portion of your superannuation that you have nominated will be transferred from your Accumulation Account into a Pension Account. Your Pension Account can include all or any of:

- The amount transferred from your existing Accumulation Account in the Plan, and
- An amount transferred from another superannuation fund.

Contributions made after the commencement of your pension cannot be made into your Pension Account. You can apply to start a separate pension with contributions made to an Accumulation Account after your pension has commenced. It would also be possible to consolidate balances into a single Pension Account periodically, however the standard benefit payment fee would be payable.

Fees

You will not be charged any additional fees for converting to a pension. A Benefit Payment Fee of \$70 applies to any lump sum withdrawal from your Pension Account but not to start a pension or on pension payments made.

The Plan does not pay any commissions to financial intermediaries who may recommend the Plan to you.

How your pension will operate

You can select the level of pension that you require subject to limits set by the Government and noted on the “*Pension Application Form*”.

Minimum pension

The law requires that you are paid a minimum amount from your pension account each financial year. The minimum amount is calculated as a percentage of your pension balance at 1 July each year (or on the date of starting the pension in the first year).

The standard minimum percentage factor is determined based on your age in accordance with the table below:

Age on 1 July (or on starting the pension in first year)	Percentage of pension account balance
55 to 64	4%
65 to 74	5%
75 to 79	6%
80 to 84	7%
85 to 89	9%
90 to 94	11%
95 or more	14%

Maximum pension

If you have ‘retired’ or attained age 65, the law does not impose a maximum limit on what you can draw from your pension account. You can also access your superannuation as a lump sum at anytime.

If you have a transition to retirement pension, the law generally limits what you can access in a year to a maximum of 10% of your pension account balance at 1 July.

Example

If you are aged 62 and you have a pension balance of \$300,000 on 1 July, your standard minimum annual pension is \$12,000 (4%). If you are still working, your maximum annual pension is \$30,000 (10%). If you have retired or attained age 65, there is no maximum pension amount. That is, you could withdraw the pension account balance of \$300,000 at any time.

Default pension

If you don’t specify the amount of your pension payments, the default amount of pension payment is the minimum limit set by the Government.

Starting a pension during a year

If you start a pension during a year, the annual minimum pension amount is apportioned over the period in which the pension is paid.

Frequency of pension payments

You can choose the frequency of pension payments you receive during a year:

- Monthly on the 20th day of each month.
- Quarterly on the 15th day of September, December, March and June of each year.
- Half-yearly on the 15th day of December and June of each year.
- Annually on the 15th day of any month you choose.

Investment options

You may choose any one or a combination of the five investment options for your Pension Account:

- High Growth
- Growth
- Balanced (MySuper)
- Capital Stable
- Cash

You may also switch between investment options at any time, free of charge. You will need to nominate your investment option at the time of making the application to commence a pension.

Please contact us for further information on each investment option.

Possible impacts on your existing insurance coverage

If you are under age 65 and currently covered for Death or Death & Total and Permanent Disablement insurance, you can continue to be covered, however, you must retain a minimum balance of at least \$1,500 in your Accumulation Account to meet your future insurance premium commitments.

If you are under age 65 and not currently covered for Death or Death & Total and Permanent Disablement insurance, you can apply to be covered, however, you will need to retain a minimum balance of at least \$1,500 in your Accumulation Account.

If you are aged 65 or over, you will not qualify for coverage under the requirements of the Plan’s insurer.

Please note that the earnings on your Accumulation Account may not be sufficient to meet ongoing insurance premiums and you may need to make additional contributions to maintain your coverage.

Please refer to our publications area for further information on insurance cover available in the Plan.

EFT transfer

Your pension can only be paid via EFT into your nominated bank account. You must provide these details on the “*Pension Application Form*”.

Changing your pension amount

You can change the pension amount at any time (provided the new amount is within Government limits). All you need to do is contact the Plan administrator before the 1st of the month to ensure that the change is carried out for that month.

Subsequent years

We will inform you of your new minimum and, if applicable, maximum limits at the start of each financial year. Unless you request an alteration, you will continue to receive the same pension amount as the previous year. Your pension amount will only be changed if the previous year pension was less than the current minimum or more than the current maximum.

Stopping your pension

You can choose to stop your pension by completing a “*Pension Stop Request*” form and forwarding it to the Plan administrator. If you stop the pension, a pro rata minimum pension must be taken for the year.

If you have ‘retired’ or you are at least age 65, you can access some or all of the capital supporting the pension as a lump sum. You can also generally transfer some or all of the capital supporting the pension into an Accumulation Account within the Plan.

If your pension is being paid under transition to retirement rules, you will generally not be able to access the capital supporting the pension and the amount will be transferred into an Accumulation Account on your behalf.

Options in the event of death

The following options are available in relation to your pension in the event of death.

Lump sum payment in accordance with your nomination

The balance of your Pension Account may be paid as a lump sum to your dependants in accordance with a valid beneficiary nomination. Your nomination can be changed or updated at any time by completing a “*Beneficiary Variation*” form.

Lump sum payment to your estate

If you do not have dependants at the date of your death, the balance of your Pension Account will be paid as a lump sum to the legal personal representative of your estate. The balance would then be distributed in accordance with your Will or, if you have no Will, in accordance with relevant legislation.

Continue your pension (reversionary payments) to your spouse

You may nominate your spouse (including a de facto spouse) to continue to receive your Pension after your death. You must make this nomination before your Pension payments commence and, once made, it cannot be changed except in very limited circumstances (such as the death of the nominated spouse or divorce or separation).

The nomination to revert your pension to your spouse is contained in the “*Pension Application*” form.

Taxation of your pension

From age 60

From age 60, all pension payments are tax-free and are not counted as part of your assessable income.

Before age 60

Pension payments you receive may comprise two components, a tax free component and a taxable component.

If your Pension Account contains a tax free component, a proportion of your pension payments will also contain a tax free component. The tax free component of your Pension Account will generally represent personal contributions made after 30 June 1983 for which a tax deduction has not been claimed plus any Pre July 1983 component. The tax free component of any pension payments you receive will be the same as the tax free proportion of your Pension Account balance and will not be assessable income.

The taxable component of your pension payments will equal the total pension payments you receive minus any tax free component of pension payments received. The taxable component of your pension payments is assessable income and will be taxed at marginal tax rates. You will also be entitled to a superannuation pension tax offset equal to 15% of the taxable component of your pension payments.

Taxation of investment earnings

Your investment earnings on your Pension Account are exempt from tax. This generally means higher investment returns on your pension account.

As noted above, investment earnings on transition to retirement pension accounts are no longer exempt from tax. Instead, investment earnings for these accounts will continue to be taxed at 15%.

In addition, any excess franking credits attributable to your Pension Account will be refunded and allocated to your pension account.

PAYG

The Plan must withhold tax from the taxable component of pension payments received by a member under age 60 in accordance with minimum legislative requirements.

If you are not currently claiming the personal tax free threshold with your employer, or in relation to pension payments from another source, you can elect to claim the tax free threshold in respect of your pension from the Plan. This may reduce the tax deducted from your pension payments.

We will reduce the tax withheld from your pension payments in line with any entitlement to a tax free component, pension tax offset or any claim to use the personal tax free threshold, provided that you complete the appropriate Tax Office declaration form and provide the relevant copy of that form to the Plan administrator.

We will send you a PAYG Payment Summary at the end of each financial year for your personal tax return if any tax has been withheld.

Professional advice

We recommend that you contact your professional adviser for full details of the impact of tax (if any) on your pension payments before lodging an application to commence a pension.

You should be aware that, under current guidelines, your Pension entitlements may affect your entitlement to social security benefits. If this is of concern, you should also obtain professional advice before lodging an application to commence a pension.

Contact Us

Administrator

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Member enquiry line (03) 9691 2944
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Fund

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