Fact sheet

Transition to retirement

Whether you want a strategy to boost your super or to ease into retirement, a UniSuper Flexi Pension taken under the government's transition to retirement rules might be just what you've been looking for.

What this fact sheet does

Provides information about taking a Flexi Pension under transition to retirement rules.

Who is it for?

UniSuper members who are considering a Flexi Pension under transition to retirement rules.

What is transition to retirement?

Transition to retirement, or 'TTR', are government rules that allow Australians who meet certain criteria to access their super as a non-commutable pension while they are still working.
This criteria includes reaching your preservation age (see table) but being under age 65 and not having already retired from the workforce.

For members who qualify, there are essentially two ways to use the transition to retirement rules:

1. **Keep working and boost your super** – even if you are not contemplating retirement, the TTR rules can enable you to maintain your current level of work, access a pension income and salary sacrifice increased amounts into your super. The strategy can even be structured so there is no effect on your take-home income.
2. **Transition gradually into retirement** – you can gradually reduce work hours and ease into retirement, while supplementing your income from your superannuation benefits.

UniSuper members who meet the eligibility criteria may 'transition to retirement' using a UniSuper Flexi Pension.

The rules for transition to retirement

- A TTR pension can be started once you reach your preservation age

Date of birth	Preservation age
Before 1 July 1960	55
1 July 1960 – 30 June 1961	56
1 July 1961 – 30 June 1962	57
1 July 1962 – 30 June 1963	58
1 July 1963 – 30 June 1964	59
1 July 1964 or after	60

- A Flexi Pension under TTR rules must be purchased with super money already in your super account.
- While operating a Flexi Pension under TTR rules you will have two accounts for your retirement investments – your existing super account and your new pension account. Your existing super account remains open so that your employer can make employer (concessional) and salary sacrifice (concessional) contributions into it along with any voluntary member (non-concessional) contributions you may wish to make.
- Commutations (i.e. lump sum withdrawals) are not generally allowed. Thus, Flexi Pensions under the TTR rules are also referred to as non-commutable pensions. In all other ways they are structured like ordinary pensions.
- The total amount of pension income you can receive from a Flexi Pension under TTR rules must be between 3% (minimum) and 10% (maximum) of your pension account balance (calculated at the commencement of the pension and on 1 July each year).

  Please note that the minimum payment percentage reflects the 25% reduction in the minimum annual pension requirements which apply for 2012/13.

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An important note for Defined Benefit Division (DBD) members

Only those DBD members who are genuinely reducing their working hours, by at least 20%, are eligible to start a Flexi Pension under the TTR rules using all or part of their defined benefit component. To verify the reduction in working hours, members simply need to have their employer attest to the reduction in working hours using the *Transition to retirement attestation form* at **www.unisuper.com.au**.

If you use any of your defined benefit component to purchase a Flexi Pension under the TTR rules, you will cease to be a DBD member and will become an Accumulation 2 member.

Converted defined benefit components transferred into Accumulation 1 are invested as per your future contributions strategy relating to your accumulation strategy relating to your accumulation component. Your existing accumulation component investments will not be changed when transferred to Accumulation 1. If you don't have a future contributions strategy, then your transferring accumulation component will be invested in the Balanced option irrespective of any existing investment selection in your accumulation component.

If you are not reducing your working hours but still want to access a Flexi Pension under the TTR rules, you can purchase one using your accumulation component only. If you use only your accumulation component, you will remain a DBD member and retain your defined benefit entitlements. If you use only a part of your accumulation component, you must leave a minimum balance of $1,000 in your accumulation component.

Where a DBD member does not utilise any of their DBD component to start a TTR pension, they remain a DBD member.

TTR for Accumulation 1, 2, and Spouse Account members

If you are eligible, you can elect to use all or part of your account balance to commence a Flexi Pension under the TTR rules. If you use only part of your account balance, you must leave a minimum balance of $1,000 in your super account. All future employer and member contributions will continue to be paid into your super account.

Are my inbuilt benefits or insurance cover affected?

As long as you maintain an accumulation account/ component from which premiums can be deducted and you meet all other eligibility criteria, any optional insurance cover that you have as part of your UniSuper membership will continue. However, if you reduce your working hours, your inbuilt benefits for death and disablement will also be reduced.

If you are an Accumulation 1, Accumulation 2 or Spouse Account member, inbuilt charges and premiums will continue to be deducted from your super account. If you are a DBD member and you use all or part of your defined benefit component, your insurance charges will be deducted from your Accumulation 2 account.

For more information on the impacts to your inbuilt benefits or insurance cover, please refer to the product disclosure statement or our website.

Will the number of hours I work affect my eligibility for a Flexi Pension under the TTR rules?

The Government has not specified any minimum or maximum number of hours that you must work in order to commence a pension under the TTR rules.

You can continue working on either a full-time or part-time basis. The number of hours you work is a decision to be made between you and your employer.

Can I make a lump sum withdrawal?

Lump sum withdrawals can only be made from a Flexi Pension under the TTR rules to:

- access any unrestricted non-preserved benefits
- pay a superannuation surcharge tax liability
- give effect to a Family Law payment split, and
- give effect to an ATO release authority under income tax legislation.

You can commute and rollover your pension at any time to purchase another Flexi Pension under the TTR rules or return the benefit to an accumulation superannuation account.

Once you meet a condition of release, such as permanently retiring from the workforce, leaving employment after age 60 or reaching age 65, the restrictions no longer apply and you can make a lump sum withdrawal at any time.

How is the pension taxed?

If you are aged between 55 and 60, the amount of income (excluding the tax-free amount) is included in your assessable income and taxed at your marginal tax rate. A 15% pension offset is available to reduce the tax payable on the taxable portion of your pension.

If you are aged 60 or over, your pension payments will be received tax-free.

Any investment earnings from a Flexi Pension under TTR rules are tax-free, irrespective of your age.

Are there any additional fees that apply?

A Flexi Pension taken under TTR rules will incur the same fees and costs that apply to a normal Flexi Pension. You will also incur any fees and costs that apply to your existing super account.

Other issues to consider

There are lifestyle considerations such as deciding if you are ready to decrease your working hours and whether your employer will allow you to reduce your hours. The most important issues that will affect how suitable a Flexi Pension under the TTR rules is for you are: your age, your marginal tax rate and how long it will be until you permanently retire.

Making sure that you make the right choice for you is critical. UniSuper recommend that you speak to a licensed financial adviser before you decide whether a Flexi Pension under the TTR rules is right for you.

If you need help to make a decision, we strongly encourage you to speak to our UniSuper Advice team on 1300 331 685.

How can I apply for a Flexi Pension under the TTR rules?

You need to complete *SECTION 3 - Transition to retirement* of the *Flexi Pension application form* in the *Your guide to pensions* Product Disclosure Document (PDS).

The PDS is available by:

- downloading a copy from **www.unisuper.com.au**, or
- call us on **1800 661 385**.

This information is of a general nature only and includes general advice. It has been prepared without taking into account your individual objectives, financial situation or needs. Before making any decision in relation to your UniSuper membership, you should consider your personal circumstances, the relevant product disclosure statement for your membership category and whether to consult a licensed financial adviser.

This information is current as at July 2012 and is based on our understanding of legislation at that date. Information is subject to change. To the extent that this fact sheet contains information which is inconsistent with the UniSuper Trust Deed and Regulations (together the Trust Deed), the Trust Deed will prevail.

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