UniSuper

Fact sheet

Transition to retirement

This fact sheet is for UniSuper members considering a Flexi Pension under the government's transition to retirement rules.

What is transition to retirement?

Transition to retirement, or 'TTR', is a government initiative that lets you access your super while you're working. You can start a Flexi Pension if you've attained your preservation age. Once you reach age 65 or, let us know that you've met a condition of release allowing unrestricted access to your superannuation (e.g. retired from the workforce or terminated employment after age 60), your Flexi Pension will cease to be paid under the TTR rules.

If you qualify, there are two ways to use the TTR rules:

1. **Keep working and boost your super** – even if you're not contemplating retirement, the TTR rules enable you to maintain your current level of work, access a retirement income, and increase your salary sacrifice contributions 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 super.

The rules for transition to retirement

- A Flexi Pension under TTR rules must be purchased with money already in your super account.
- While operating a Flexi Pension under TTR rules you'll have two accounts for your retirement savings – your existing super account and your new TTR - Flexi Pension account. Your super account remains open so your employer can make employer and salary sacrifice contributions into it along with any voluntary member contributions you may want to make.
- Lump sum withdrawals (called commutations) aren't generally allowed. A TTR - Flexi Pension is a non-commutable retirement income product. In all other ways they are structured like ordinary account-based pensions.
- The total amount of retirement income you can receive from a TTR - Flexi Pension account in a financial year must be between the minimum and maximum percentages of your account balance required by legislation (these are calculated at the commencement of your account on 1 July each year).
- When you turn 65 or you notify UniSuper that another condition of release has been met, your TTR account will automatically become a Flexi Pension account—meaning investment earnings will be tax-free and any applicable fees, including the administration fee, will be applied.
- A TTR - Flexi 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

An important note for Defined Benefit Division (DBD) members

If you use any of your defined benefit component to start a TTR - Flexi Pension, you'll cease to be a DBD member and will become an Accumulation 2 member. To find out how converting to Accumulation 2 will impact your inbuilt benefits, visit unisuper.com.au/pds and read the *What happens to your inbuilt benefits if you choose Accumulation 2?* document.

Defined benefits transferred into Accumulation 2 are invested either according to your existing accumulation component future contributions strategy, or in the default Balanced investment option if you haven't chosen a future contributions strategy.

If you don't want to use your defined benefit (DB) component but still want to start a TTR - Flexi Pension, you can start one using your accumulation component only. If you use your accumulation component, you'll 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 $6,000 in your accumulation component.

Are my inbuilt benefits or insurance cover affected?

If you're a DBD member and you use your accumulation component only to start a Flexi Pension, your inbuilt benefits won't be impacted. Any external insurance cover you have through your accumulation component will continue, so long as you continue to meet the requirements in the group insurance policies and the balance of your accumulation component is sufficient to cover premiums.

If you use your DB component to start a Flexi Pension, your inbuilt benefits will cease and will be transitioned to external Death, Total & Permanent Disablement (TPD) and Income Protection cover provided through our insurer—subject to eligibility and automatic acceptance limits.* Before using your DB component to start a Flexi Pension, read *What happens to your inbuilt benefits if you choose Accumulation 2?* document, available on our website. Any existing external insurance you may have through your accumulation component will continue and premiums will continue to be deducted from that account.

TTR for Accumulation 1, 2, and Personal Account members

If eligible, you can elect to use all or part of your account balance to start a TTR - Flexi Pension. If you use only part of your account balance, you must leave a minimum balance of $6,000 in your super account. All future employer and member contributions will continue to be paid into your super account.

Opening a Flexi Pension won't impact any external insurance cover you have through your account. Your cover will continue so long as you continue to meet the requirements in the group policies and your account balance is sufficient to cover premiums.

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

The Government has not specified any minimum or maximum number of hours that you must work to start a TTR - Flexi Pension.

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 TTR - Flexi Pension to:

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

You can commute or roll over your pension at any time to purchase another TTR - Flexi Pension or return the benefit to an accumulation super account.

Once you meet a condition of release—such as permanently retiring from the workforce after preservation age, 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're aged between 55 and 60, the amount of income drawn from your Flexi Pension (excluding the tax-free component) 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 retirement income. If you're aged 60 or older, you'll receive your retirement payments tax-free. Investment earnings on a TTR - Flexi Pension are taxed up to 15%.

Are there any additional fees?

There are no administration fees charged for a TTR - Flexi Pension. For more information on the other types of fees and costs that apply, and the circumstances in which a TTR - Flexi Pension ceases to be paid under TTR rules, refer to the product disclosure statement on our website.

You can view the current investment fees and Indirect Cost Ratios (ICRs) at unisuper.com.au/investment-costs. When you fully retire and you're no longer a TTR - Flexi Pension member, the standard Flexi Pension fees will apply.

* Insurance cover is provided to UniSuper members by TAL Life Limited ABN 70 050 109 450, AFSL No. 237848

Other things to consider

We recommend reading the *Flexi Pension Product Disclosure Statement (PDS)* before making your decision about starting a TTR - Flexi Pension.

Generally, if you're retired and you commence a Flexi Pension, no tax will be applied to investment earnings.

If you reach age 65 or notify us that you've met a condition of release, tax will no longer apply to investment earnings on a TTR - Flexi Pension unless you exceed the $1.6 million transfer balance cap. Your TTR - Flexi Pension will then be treated as a standard retirement-phase pension and the standard fees for a Flexi Pension and the transfer balance cap will apply.

We encourage you to be mindful of the caps on the total amount of super you can hold in the retirement phase. This is known as a `transfer balance cap', which for the 2020-21 financial year is $1.6 million. There are penalties for excess balances. TTR - Flexi Pension accounts don't count towards your transfer balance cap however if you meet a condition of release and your account is converted to a Flexi Pension, you may need to reduce your account balance.

Get advice

Generally, the most important factors affecting how suitable a TTR - Flexi Pension is for you include: your age, your marginal tax rate and how long it will be until you permanently retire. You should also take into account your lifestyle considerations such as, deciding if you're ready to decrease your working hours, and whether your employer will allow you to reduce your hours.

Making decisions about your super can be complex for some members, especially if you're not confident about how your choices will impact your future savings. We recommend seeking financial advice before deciding if a TTR - Flexi Pension is right for you.

As a UniSuper member, you have exclusive access to UniSuper Advice—our in-house team of qualified financial advisers. They have in-depth knowledge of the Fund, our products and the higher education and research sector.

To make an appointment or to find out more, call 1800 823 842.

How can I apply for a TTR - Flexi Pension?

1. Read the *Flexi Pension PDS* available from our website.
2. Complete and sign the application contained in the PDS.
3. Obtain certified copies of your proof of identity documents. This is a legal requirement for everyone starting a retirement income.
4. Post your completed form and proof of identity documents to the address at the end of the form, or drop it in to one of our member centres available in most capital cities.

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