UniSuper

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 covers

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

Who is this fact sheet for?

UniSuper members considering a Flexi Pension under 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—as long as you've reached preservation age (see table opposite), haven't yet turned 65 years of age, and haven't retired permanently from the workforce.

If you qualify, there are two ways to use the transition to retirement 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 pension 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.

Members who meet the eligibility criteria can 'transition to retirement' using a UniSuper Flexi Pension.

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 pension account. Your existing 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. Under TTR rules, Flexi Pensions are referred to as non-commutable pensions. In all other ways they are structured like ordinary account-based pensions.
- The total amount of pension income you can receive from a Flexi Pension under TTR rules in a financial year must be between 4% (minimum) and 10% (maximum) of your pension account balance (calculated at the commencement of the pension and on 1 July each year).
- When you turn 65 or meet one of the conditions of release, 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 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 purchase a Flexi Pension under TTR rules, 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 please read the *What happens to your inbuilt benefits if you choose Accumulation 2?* booklet, available at **unisuper.com.au/pds**.

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

If you don't want to use your DB component but still want to access a Flexi Pension under TTR rules, you can purchase one using your accumulation component only. If you use only 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 $1,000 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 open a Flexi Pension, your inbuilt benefits won't be impacted. Any external insurance cover you may 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 open 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 open a Flexi Pension account, read *What happens to your inbuilt benefits if you choose Accumulation 2?* booklet, 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 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.

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 Flexi Pension under TTR rules?

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

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

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 pension. If you're aged 60 or older, you'll receive your pension payments tax-free. Investment earnings on TTR Flexi Pensions are taxed up to 15%.

Are there any additional fees?

No administration fees are deducted from your TTR account. However, a Flexi Pension taken under TTR rules will incur the same fees and costs that apply to a normal Flexi Pension, other than the $96 p.a. administration fee which is not charged if you also have an open super account. You'll also incur any fees and costs that apply to your existing super account.

You can view the current investment fees and ICRs for both our accumulation and pension investment options at **unisuper.com.au/investment-costs**. When you fully retire and you're no longer a TTR pension member, the standard Flexi Pension fees will apply.

Other things to consider

We strongly recommend reading the *Your guide to pensions - Flexi Pensions* Product Disclosure Document (PDS) before making your decision about a TTR account.

When you retire or meet another condition of release, we'll automatically convert your TTR pension to a Flexi Pension. This means your investment earnings will no longer be taxed, your account will be subject to an annual administration fee of $96, and 0.16% per year is charged on your balance (capped at $1,250 per year).

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 2017-18 financial year is $1.6 million. There are penalties for excess balances. TTR 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

The most important factors affecting how suitable a Flexi Pension taken under the TTR rules 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 Flexi Pension under TTR rules 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, simply call **1800 UADVICE** (1800 823 842).

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

To apply for a Flexi Pension under TTR rules, please complete the following steps:

1. Download a copy of the *Your guide to pensions – Flexi Pension PDS* available from **unisuper.com.au/pds**.
2. Complete and sign the application form contained in the PDS.
3. Obtain certified copies of your proof of identity documents. This is a legal requirement for everyone starting a pension.
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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