IMPORTANT INFORMATION AND UPDATES

REGULATORY

'Protecting Your Super' measures introduced from 1 July 2019

The Federal Government's 'Protecting Your Super' package came into effect on 1 July 2019. The package was designed to protect super account balances from unnecessary erosion by fees and insurance costs. The changes affected insurance cover, fees and costs and transfer of inactive low-balance accounts to the Australian Taxation Office.

Temporary reduction of minimum pension payments

This information is only applicable to Pension members.

In response to the economic impact of COVID-19, the Federal Government legislated for a temporary halving of the minimum amount that pension members must withdraw from their pension accounts each year. This helps pension account holders to protect their capital in a time of market volatility.

Temporary minimum pension payment rates

The temporary minimum rates noted in the table below are for the 2019–20 and 2020–21 financial years.

Member age at 1 July	TEMPORARY reduced minimum drawdown rates for 2019–20 and 2020–21 (p.a.)
Under 65	2.0%
65 to 74	2.5%
75 to 79	3.0%
80 to 84	3.5%
85 to 89	4.5%
90 to 94	5.5%
95 or more	7.0%

For Term Allocated Pension members the Government is allowing them to reduce their pension payment by half over the same periods.

Insurance in super: Voluntary Code of Practice

The Insurance in Super Code of Practice (the Code) is the superannuation industry's commitment to high standards when providing insurance to its members. The Code is intended to ensure the insurance cover super funds offer their members is affordable and meets their needs.

We are progressively adopting the Code to help you better understand and manage the insurance cover available to you through your super. Under the new standards you will have access to better information about your insurance cover through simplified disclosure, our enhanced claims service and improved member communications.

The Code will fully come into force by 30 June 2021. You can track our path to fully adopting the Code by viewing our Transition Plan and Annual Code Compliance Report, available at onepath.com.au

Budget 2019: Age based contribution limits into your super

Effective from 1 July 2020, the Federal Government has changed the age requirements for acceptance of super contributions.

What do these changes mean?

- Member, employer, spouse and additional contributions to be accepted regardless of working status up to age 67, previously this was age 65.
- You have to meet the 'work test' for your spouse to contribute to age 75, otherwise it is to age 67.
- You only need to attest to the Gainful Employment Test (GET) or confirm eligibility under the Work Test Exemption (WTE) if you want to make certain contributions after age 67.
- There is no change to the rules for making Downsizer contributions.

INVESTMENT PERFORMANCE

The following information is relevant to Personal Retirement Plan (PLUS Range) and Traditional Policies (Endowment and Whole of Life) only.

Actual yearly return is as at 30 June (% p.a.) unless otherwise stated and net of management fees. Please note that the returns for the investment funds below may differ from your personalised return. Your personalised return takes into consideration the transactions that have occurred on your individual account, as well as changes in the value of your investment over the statement period.

PLUS Range and Traditional Policies

Investment fund	One year return (%)	Five year return (%)	Ten year return (%)
PLUS Range^	3.15	4.10	5.11
Traditional Policies*	4.00	5.00	4.85

One year return for the PLUS range and Traditional policies is the declared rate.

^ A terminal bonus as a percentage of the surrender value of your policy (0.0%) is currently payable on exit from Plus Range (Personal Retirement Plan) Policies. This is not guaranteed and may be varied or discontinued at any time on advice of the Appointed Actuary.

* A terminal bonus as a percentage of the surrender value of your policy (12.5%) is currently payable on exit from Participating Traditional Policies. This is not guaranteed and may be varied or discontinued at any time on advice of the Appointed Actuary.

INVESTMENT UPDATES

We're committed to helping you achieve your financial goals by regularly reviewing the investment menu available to you, making sure you have access to market-leading investment funds.

Investment fund profile changes

For the following investment funds, changes were made during the year.

Schroder Balanced – effective December 2019

	Previous			Current		
Asset allocation	Asset allocation Asset class	Benchmark (%)^	Range (%)	Asset allocation Asset class	Benchmark (%)^	Range (%)
	Growth Assets	**62**	**40–70**	**Growth Assets**	**62**	**40–70**
	Australian Shares	32	20–40	Australian Shares	34	20–40
	International Shares	26	20–40	International Shares	28	20–40
	Property Trusts	4	0–8	Property Trusts	0	n/a
	Diversifying Assets	**16**	**0–30**	**Diversifying Assets**	**18**	**0–30**
	Alternatives	0	0–10	Higher Yield Credit	8	0–15
	Higher Yield Credit	6	0–15	Objective Based	10	0–20
	Objective Based	10	0–20	Alternatives	0	0–10
	Defensive Assets	**22**	**10–60**	**Defensive Assets**	**20**	**10–60**
	Australian Fixed Income	8	5–35	Australian Fixed Income	8	5–35
	Global Investment Grade Credit	6	0–15	Global Investment Grade Credit	5	0–15
	Cash	8	0–30	Cash	7	0–30

^ Schroder Balanced Fund strategic benchmark. Investment guidelines and the Strategic Asset Allocation (SAA) benchmark are internal and subject to change without notice. The SAA was last reviewed in November 2017.

OnePath Capital Stable – effective January 2020

The investment return objective was lowered by 1% per annum and the investment horizon over which this objective is expected to be achieved was extended to a period of 10 years or more. It's important to note that the new investment objective is not a guarantee of future performance.

	Previous	Current
Investment objective	The Fund aims to achieve returns (before fees, charges and taxes) that on average exceed inflation by at least 2.5% p.a., over periods of three years or more.	The Fund aims to achieve returns (before fees, charges and taxes) that on average exceed inflation by at least 1.5% p.a., over periods of ten years or more.

Updates to Buy-Sell spreads

Due to extraordinary market conditions in the wake of COVID-19, market liquidity deteriorated rapidly, impacting all segments of the Australian fixed-income market. This led to a number of investment managers temporarily increasing the buy-sell spreads applicable to their fixed income funds and diversified funds. Increased spreads were required to cover increased transaction costs. Buy-sell spreads protect non-transacting members. We anticipate that when market conditions return to normal, buy-sell spreads are likely to re-adjust to normal rates. Over the past few months we have been publishing updates in the Product Updates section of onepath.com.au

GENERAL

Your 2020 Annual Report

In line with our ongoing commitment to reduce out impact on the environment, your 2020 Annual Report will be available online in December at onepath.com.au

If you would like a hard copy (free of charge) contact Customer Services on 133 665.

Changes to transaction and indirect costs

Transaction and indirect costs for each investment fund offered through your product for the year ending 30 June may have changed from those that applied in the previous year. You can view the indirect costs that apply to your investment in the Fees, Deductions and Investment Returns Summary section of your Annual Statement.

Change of ownership for ANZ's Wealth business

In 2017, ANZ announced the sale of its Wealth business, which included the separate change of ownership for its superannuation and investment business and for its insurance business. In May 2019, ANZ completed a change of ownership to Zurich Financial Services Australia Limited (Zurich) for its insurance business. The ownership change of ANZ's superannuation and investment business to IOOF Holdings Limited (IOOF) occurred on 31 January 2020.

The important thing to know is that there was no change to your account as a result of this change of ownership.

Adviser payment arrangements

The Financial Services Royal Commission recommended that `grandfathered' commission currently paid to financial advisers, be removed.

The Federal Government recently legislated this reform. This means all `grandfathered' commission currently paid to financial advisers will stop being paid, no later than 31 December 2020.

Where you have an ongoing relationship with your financial adviser, and they are currently receiving a commission, we recommend you speak to them and agree the best way forward to continue to benefit from their advice and services.

If you prefer, you can also contact us directly to stop paying this commission immediately. You are not required to notify your financial adviser, in order for us to stop paying this commission.

What are `grandfathered' commissions?

The Future of Financial Advice (FOFA) reforms in 2013, recommended changes to the way financial advisers can be paid.

Generally, prior to these changes, remuneration to advisers was paid by product providers as commission.

From 1 July 2013, the FOFA reforms changed for new accounts. Financial advisers could only be paid a `fee for service' to provide financial advice.

These arrangements are required to be agreed between financial advisers and their clients and reviewed every two years.

The reforms allowed pre 1 July 2013 commission arrangements to remain in place and these are referred to as 'grandfathered' commissions.

APRA Levy and Regulatory Change Expense Recovery

All Australian Prudential Regulation Authority (APRA) regulated super funds are charged an APRA Levy each year to recover general operational costs. The Trustee has also approved an expense recovery of 0.024% for the 12 months to 30 June 2020. Consistent with superannuation industry practice, this covers some of the costs of complying with the Government's superannuation regulatory changes.

On 18 June 2020, a combined APRA Levy and Regulatory Change Expense Recovery of 0.03% was deducted from the unit price of each of your investment fund(s), rather than deducted directly from your account. This deduction does not include cash investment options and guaranteed products (which do not have a unit price).

To illustrate the impact of this deduction, for a member with a $50,000 balance, the cost of this deduction would be $15.00. This deduction will appear on your Annual Statement as 'Administration Fee (other)'.

Changes to your personal circumstances and insurance

Remember to let us know when your personal circumstances change to ensure you're still insured and paying the right insurance fees for your cover.

Even if you continue to pay your insurance fees, a change in your personal circumstances, such as retiring permanently from the workforce or if you permanently depart from Australia, could mean that you're no longer covered.

To advise us of any changes to your circumstances, call Customer Services on 133 665.

Are your contact details up to date?

It's important to stay in touch with us and let us know when things change, such as when you change your address or your name.

The Australian Taxation Office (ATO) requires us to transfer some balances if we have lost touch with the member. If an account does get transferred to the ATO, we are required to close that account and stop any insurance.

To avoid losing track of your super, keep us updated. If you have not provided your phone number or email address, you can do so by calling Customer Services on 133 665.

FEES AND COSTS OF YOUR INVESTMENT EXPLAINED

Fees and costs are not deducted directly from your account. They are deducted from the assets of each investment fund and reflected in the unit price.

These fees and costs may include the following:

Investment fee – the cost of managing the investment fund and the underlying fund manager's Investment Management Fee (IMF). The IMF charged by the underlying fund manager includes the fees, charges and some estimated expense recoveries that relate specifically to the management of each investment fund. If a performance related fee applies then this is not included in the investment fee, but forms part of the investment fund's indirect costs.

Administration fee (other) – includes any levies and expense recoveries that have been deducted from the assets of each investment fund. This includes the recovery of the APRA Levy charged to all super funds and some of the costs incurred to comply with the Government's superannuation regulatory changes.

Buy-Sell spread – an additional cost reflected in the daily unit prices of an investment fund that is not charged separately. It is used to allocate the costs of buying and selling assets in an investment fund to those investors who are transacting on that fund rather than to members who are not transacting. As your account is valued at the sell unit price, all investments into an investment fund are reduced by the buy-sell spread at the time of the transaction.

Indirect costs include costs deducted from the assets of each investment fund and reflected in its unit price. These costs relate to the investment of assets within the underlying investment funds that are not recovered by the investment fund's buy-sell spread.

These indirect costs include, but are not limited to, brokerage costs, custody fees, stamp duty and bid/offer spreads. They are not investment fees but may include performance related fees charged by the underlying fund manager for outperforming their performance benchmark.

If you have any questions about the fees and costs on your Annual Statement, please contact Customer Services.

Key definitions:

Contributions tax

Contributions tax of 15% will apply to any personal contributions for which you claim a tax deduction or contributions made by your employer (including salary sacrifice contributions) or other contributions which have not previously been subject to tax.

We may also make allowance for tax deductions on insurance fee payments.

You can claim a tax deduction for personal contributions made in the Annual Statement period, if we received your 'Notice of intent to claim a tax deduction form' by the relevant date and the notice has been acknowledged by the Trustee.

A 15% tax rate also applies to the untaxed element of a roll-over superannuation benefit and certain foreign super fund transfers. The tax payable is shown on your Annual Statement.

Where no-TFN contributions tax is payable, it will be deducted from the withdrawal amount.

Additional tax for high income earners

An additional 15% tax may apply to certain concessional contributions if your income for surcharge purposes plus your low tax contributions for a financial year exceeds $250,000. For further information, visit ato.gov.au or speak to your financial adviser.

Preservation status

- *Unrestricted Non-Preserved Benefit* is the amount of the withdrawal benefit at the close of the reporting period that you can access at any time.
- *Restricted Non-Preserved Benefit* is the amount of the withdrawal benefit at the close of the reporting period that you can access, if you leave an employer who has contributed to this fund on your behalf, or when preserved benefits are payable.
- *Preserved Benefit* is the amount of withdrawal benefit at the close of the reporting period required to be preserved by the Trust Deed and super legislation governing your benefits. Generally, you cannot access this amount until age 65, or once you have reached your preservation age (between age 55 and 60, depending on your date of birth) and you have met a condition of release, such as retirement.

The total of the preservation components is net of withdrawal fees and contributions tax payable on contributions that were made up to the end of the reporting period.

Super Guarantee allocation

The Super Guarantee Allocation (SG Allocation) is the amount of employee entitlement paid by the ATO representing a superannuation guarantee shortfall and any interest for the shortfall.

This amount includes the 9.5% (for 2019/20) obligation and any interest earned. The SG Allocation may appear on your Annual Statement as either an addition or deduction.

An addition is a payment from the ATO into your account and a deduction may be the correction of a payment received to your account or the recovery of an overpaid SG Allocation by the ATO. Speak to your financial adviser or contact the ATO for further details.

Government contributions

Government contributions can include the Government co-contribution and the Low Income Superannuation Tax Offset (LISTO). LISTO effectively returns the 15% contributions tax (up to $500) on concessional (before-tax) contributions for low income earners.

The Government co-contribution helps eligible income earners boost their super through personal (after-tax) contributions. The maximum amount is $500 and it depends on your income and how much you contribute.

The co-contribution may appear on your Annual Statement as either an addition or deduction. An addition is a payment from the ATO into your account and a deduction may be the correction of a payment received to your account or the recovery of an overpaid co-contribution by the ATO. Speak to your financial adviser or contact the ATO for further details.

FREQUENTLY ASKED QUESTIONS

1. HOW DOES A NOMINATION OF BENEFICIARY WORK?

If you have nominated a beneficiary, it will appear on your Annual Statement. A valid non-lapsing beneficiary nomination ensures that in the event of your death, your superannuation benefit will be paid in accordance with your wishes. 'Non-lapsing' means it does not expire or need to be updated, but it must meet certain requirements to be valid.

See conditions below:

- We will ordinarily pay the benefits to the nominated beneficiaries in the proportions you have specified, if these requirements are met.
- You can revoke or change your nomination anytime by calling Customer Services.
- If you marry, enter into a de facto relationship or become separated on a permanent basis your nomination will become invalid.
- For your Nomination of Beneficiary Form to be valid, you need to sign and date it in the presence of two witnesses, who are over 18 and not named as beneficiaries.

A Will does not necessarily control what happens to your super benefit upon death. Generally, if there is no valid non-lapsing beneficiary nomination in place, the Trustee will pay the benefit to your legal personal representative if your estate is solvent.

If you hold a pension account, your nomination may be a reversionary pensioner and/or a non-lapsing beneficiary. You can nominate your spouse as a reversionary pensioner when you set up your pension account. In the event of your death, your pension will continue to be paid to the reversionary pensioner. A valid reversionary pensioner nomination will override a valid non-lapsing nomination. If your nominated reversionary pensioner dies before you or is no longer your spouse, the Trustee will pay your benefit in accordance with any valid non-lapsing nomination. Please note: If you have nominated a reversionary pensioner on your pension account, this cannot be removed, revoked or changed.

2. WHEN IS CONTRIBUTIONS TAX DEDUCTED FROM MY ACCOUNT?

Contributions tax will be deducted after the end of every month. As a result, the component relating to the month ending 30 June will not be deducted from your account until the next financial year. It will not appear on the current year's annual statement as a deduction. So you can review the tax for a financial year's contributions in the one statement, the tax for the final period of the financial year is shown on the next year's statement under the heading 'Payable and Received Amounts.' If you have made a withdrawal during the year, contributions tax will be deducted at the time of withdrawal.

3. WHAT IS MY WITHDRAWAL BENEFIT?

A withdrawal benefit is the sum you receive if you withdraw your super balance. Due to a legislative requirement, we must show how much your benefit would be worth on 30 June, this does not mean you can access your super.

To withdraw your super, you must first meet a 'condition of release' as follows:

- You are aged 65 or over.
- You have reached your preservation age and have permanently retired.
- You have reached your preservation age and started a 'transition to retirement' income stream, or
- You are permanently incapacitated.

For full details of when you can access your super, contact your financial adviser or Customer Services.

4. WHAT IS INCLUDED IN YOUR ANNUAL STATEMENT PACK?

Annual Review Letter – outlines three important pieces of information:

1. Your total pension or annuity (income stream) payment for this financial year
2. The amount you should expect to receive per payment, and
3. The number of payments that will be made in the 2020/21 financial year.

Annual Statement – includes all transactions that have been processed on your account during the 2019/20 financial year, and your account balance as at 30 June 2020.

Payment Alteration Form – can be used to change the amount or frequency of your income stream payments, the investment fund/s from which payments are drawn or the bank details to which your payments are credited. You can also change your income payments at any time using the Pension Update Form available from our website, or by calling Customer Services. Please note, payments can only be made via electronic funds transfer (EFT) and not cheque.

Centrelink Schedule – outlines the income you will receive from your pension or annuity account for the 2020/2021 financial year. If you are applying for, or receive a means-tested Social Security entitlement, you may need to supply the information on the Schedule to Centrelink.

5. WHY IS THE CENTRELINK SCHEDULE INCLUDED IN THE ANNUAL STATEMENT PACK?

When you are assessed by Centrelink for the Age Pension, you are assessed on income and assets over a full financial year. To facilitate this, Centrelink Schedules are issued with information needed for Centrelink to perform this assessment.

Centrelink Schedules display an annualised value of income stream payments being received, shown as the Gross Annual Payment. The annualised value may not equal the actual value of payments you will receive in the financial year, especially if you have commenced your income stream account part way through the financial year or have changed the payment amounts you receive.

The amount that needs to be reported to Centrelink is the Gross Annual Payment which is the actual payments received, plus payments to be received (excluding commutations) in the financial year. Where the income stream commences part way through the year, the amount to be reported for the first year is grossed up to reflect an annual amount.

Each time you change your nominated income stream payment amount for the year, a revised Centrelink Schedule can be downloaded from our website. For further information contact your financial adviser or Centrelink.

6. HOW ARE ANNUAL PAYMENT AMOUNTS CALCULATED?

Each financial year you must receive a legislated minimum* payment from your pension or annuity account. Generally, you can choose to receive the legislated 'minimum' payment, the 'maximum' payment (if applicable) or nominate a specified amount. The minimum and maximum annual payment is recalculated each year on 1 July using your account balance and age at that date.

Please note, if you have nominated a reversionary beneficiary on your Term Allocated Pension account, their details may also be considered when calculating your annual payment amount.

If you choose to receive the minimum annual payment, we will make income stream payments from 1 July at the new minimum level. If your nominated annual payment is already higher than the new minimum, your pension or annuity payment will remain unchanged from that paid in the previous financial year, unless you have chosen to have your payments indexed.

If the income stream payments you received for the financial year do not add up to your legislated minimum payment amount, a 'catch-up' payment will be credited to your nominated bank account on or around 30 June.

* As noted earlier in this update, the minimum payments for 2019–20 and 2020–21 have been halved.

Maximum payment

For 'Transition to Retirement' (TTR) pensions, a maximum annual pension payment equal to 10% of the account balance will apply each year.

Please note, if you have a TTR pension and have reached age 65, retired on or after your preservation age or are permanently incapacitated, the funds in your pension account will no longer be subject to the maximum 10% restriction on annual pension payments.

Term Allocated Pensions

If you are invested in a Term Allocated Pension (TAP), you do not have the option to choose a payment amount*. The income payment is a set amount calculated by dividing your account balance as at 1 July each year by the Term Allocated Payment Factor for the remaining term.

* The government has made a change for 2019–20 and 2020–21 where TAP members can halve their pension payments.

Contact us

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