PortfolioOne
Your premium investment solution

PortfolioOne Term Allocated Pension Service Product Update

Issued: 1 July 2021

This Product Update is to be read in conjunction with the PortfolioOne Superannuation and Pension Service (Service) Product Disclosure Statement (PDS) dated 1 July 2014 and any other disclosure documents issued by OnePath Custodians Pty Limited (Trustee) in connection with the Service.

Why are we issuing this Product Update?

This Product Update covers a number of changes that come into effect from 1 July 2021, being:

- the extension of the temporary reduction of the minimum that members must draw from their pension account, until the end of the 2021/2022 financial year; and
- the introduction of an adviser service fee consent process.

It also provides an update on the relevant Federal Budget 2021/2022 announcements.

Temporary reduction of minimum pension payments to continue into 2021/2022

In response to the economic impact of COVID-19 in 2020, the Government provided temporary relief to pension members by halving the minimum amount they must receive as a pension for the 2019/20 and 2020/21 financial years. The Government has recently extended this relief for another year.

What is the minimum annual pension for Term Allocated Pensions (TAPs) for 2021/2022?

Your annual pension amount is the total value of your pension account on 1 July of a year (measured at the close of 30 June) divided by a payment factor applicable to the remaining term of your pension on 1 July of that year.

Normally, this calculated annual pension amount can be varied up or down by 10% to give a minimum and maximum payment amount of 90% and 110%.

However, with the reduced minimum drawdown relief applying for the 2019/2020 and 2020/21 financial years and continuing through to the 2021/2022 financial year, you can vary your calculated annual pension amount between 45% and 110%. The minimum annual pension is effectively halved for these financial years.

From 1 July 2022, the minimum annual pension is expected to revert back to the Standard rates (i.e. you will be able to choose an amount between 90% to 110% of your annual pension amount at 1 July 2022).

Your consent to deduct adviser fees

To facilitate the deduction and payment of adviser fees from your account, we may require your prior written consent through our adviser fee consent form.

Your consent to deduct Ongoing Adviser Service fees to be paid under an arrangement for more than 12 months from your account must be renewed annually through your financial adviser. If you do not renew your consent, these fees will be cancelled 150 days after the anniversary day you and your financial adviser provide to us on our adviser fee consent form.

You and your financial adviser may also agree for Ongoing Adviser Service fees to apply for a fixed term of less than 12 months. Unless you have entered into a new arrangement with your financial adviser, this fee will cease once the end date of your fixed term is reached.

What happens if we do not receive consent to continue adviser fees?

If you have an Ongoing Adviser Service fee on your account and either you do not provide your consent to continue this fee, or apply for a new Ongoing Adviser Service fee before the expiry of your current fee, these fees will be cancelled 150 days after the anniversary day you and your financial adviser provide to us on our adviser fee consent form.

What happens if you change your mind in relation to adviser fees?

Should you wish to revoke your consent to the deduction of any adviser fees, please contact us and/or your financial adviser to terminate the adviser fee arrangement. Note this will prevent any further deduction of Ongoing Adviser Service fees from your account after the consent has been revoked, but does not reverse any fees paid before revocation. We will also confirm with you or your financial adviser whether to remove the financial adviser’s access to your account.

Federal Budget 2021/2022

The Federal Government delivered its Budget on 11 May 2021 with some positive changes announced. Some of the key relevant measures expected to become effective from 1 July 2022 **(which are not yet law)** are summarised below. We recommend that you seek financial and tax advice if unsure about any of these measures and how they may impact you.

Legacy retirement income product conversions

Individuals invested in term allocated, life-expectancy and lifetime pension products which started prior to 20 September 2007 will have the choice to transition out of these legacy retirement income products and into a more contemporary account-based retirement product without penalty. Currently, individuals have restricted access to capital and flexibility of drawdowns with these legacy products.

Individuals will have a two-year window period to do this (we are expecting this to be from 1 July 2022 to 30 June 2024).

An individual will be able to fully commute their legacy retirement income product back into a super fund account. From here, they can decide to commence a more conventional account-based retirement pension or take it as a lump sum or leave it in their super account. Any commuted reserves will not count towards the concessional contributions cap but will be taxed at 15%.

Individuals need to consider the social security consequences of taking up this option. Existing social security concessions that may apply to their legacy retirement income product will be lost upon conversion. However, exiting the legacy retirement income product will not cause a Centrelink debt to arise.

What do the changes mean for you?

No action is required. However, you may wish to speak to your financial adviser to understand what these changes may mean for you.

Any questions?

If you have any questions, please:

- Phone: **1800 675 831**
- Email: **wrap@portfolioone.onepath.com.au**