Account-Based Pension Product Disclosure Statement (“PDS”)

***This PDS is issued by the Trustee of*____**

***ABN*______________________________________**

***Dated*______________________________________**

1. *Introduction*

This PDS provides key information about your Account-Based Pension (“AB Pension”).

This PDS is simply a summary of the more significant features of the Fund and your pension. However, the PDS is not a complete and exhaustive statement. If there is a conflict between the PDS on the one hand and the Governing Rules and Superannuation Law on the other, the Governing Rules and Superannuation Law will prevail.

The PDS describes:

- Significant benefits provided by your pension;
- Significant risks associated with your pension;
- Significant features of your pension;
- Costs of your pension;
- How your pension is taxed; and
- How you are kept informed about your pension.

2. *Account Pensions*

The Fund can provide the following types of account pensions:

- account-based pensions (sometimes called “allocated pensions” or “retirement pensions”); and
- transition to retirement pensions (sometimes called “workforce pensions”, “T2R pensions” or “TTR pensions”).

The difference between these two types of account pensions is that:

- they have different commencement conditions:
- generally to commence an account-based pension you must either have reached age 65, be retired for superannuation purposes or be permanently incapacitated;
- to commence a transition to retirement pension you need only have attained your preservation age (there is no requirement that you be retired for superannuation purposes)
- transition to retirement pensions have a ceiling on pension payments while account-based pensions do not;
- transition to retirement pensions do not permit lump sum withdrawals from the pension account while account-based do.

The pension ceiling and the lump sum withdrawal restrictions applying to transition to retirement pensions cease once the member attains age 65, retires for superannuation purposes, becomes permanently incapacitated or an event occurs in respect of the member which constitutes an unrestricted release condition (whichever first happens). In this situation, the transition to retirement pension effectively becomes an account-based pension.

3. *How do AB pensions work?*

These pensions are account pensions because a separate account is maintained for the pension to which investment earnings are credited and pension payments are debited.

The pension account balance will generally decrease as pension payments will generally exceed investment earnings. Once the pension account balance is reduced to nil, the pension will cease.

Account pensions are not lifetime pensions and they may cease during your lifetime.

Your pension account will be administered as follows:

- the Trustee will create a pension account for you
- the initial pension balance will be credited to your pension account;
- positive earnings on the pension balance will be credited to your pension account;
- negative earnings on the pension balance will be debited to your pension account;
- costs charged to your pension by the Trustee will be debited to your pension account;
- pension payments paid to you will be debited to your pension account; and
- any lump sum withdrawals from the pension account will be debited to your pension account.

In the normal course of events, the debits to the pension account will eventually exceed the credits and the pension account balance will reduce over time.

It is possible that the account balance will be exhausted during your lifetime. Once the account balance is exhausted, the pension will cease. This is the reason why the pension is referred to as an account pension.

Where you commence a pension with only part of your superannuation account balance, the Trustee will generally create a separate account for the pension. In this situation there will be two accounts for you – one being your accumulation account and the other being your pension account.

4. *When can you commence an AB Pension?*

To commence an AB pension you must have satisfied an unrestricted release condition such as – reaching age 65 (whether you are working or not), or reaching your preservation age and being retired for superannuation purposes; or being permanently incapacitated.

You can commence an AB pension on reaching age 65 or at any later time without having to be retired or alter your existing work patterns.

What is my preservation age?

Your preservation age depends on your date of birth as follows:

- age 55 - if born before 1 July 1960;
- age 56 – if born after 30 June 1960 and before 1 July 1961;
- age 57 - if born after 30 June 1961 and before 1 July 1962
- age 58 - if born after 30 June 1962 and before 1 July 1963
- age 59 - if born after 30 June 1963 and before 1 July 1964; and
- age 60 – if born after 30 June 1964.

5. *What are the main features of an AB Pension?*

An AB pension is a pension the main features of which are:

- the pension payments are made from your pension account;
- once commenced, the pension account cannot be added to by contributions or benefit rollovers or transfers;
- the pension account balance will be increased by investment earnings and decreased by investment losses, expense payments, pension payments and lump sum withdrawals;
- investment earnings attributed to assets which support the pension are exempt from tax in the Fund;
- the pension can at any time revert back to being an accumulation interest (in which case pension payments will cease and investment earnings attributed to assets which previously supported the pension will cease to be exempt from tax in the Fund);
- the pension account and pension payments cannot be used as a security for a borrowing;
- the pension has no special Centrelink treatment – in particular the pension account balance is not excluded from the Centrelink Assets Test;
- during your lifetime, the pension can only be paid to you;
- the pension can be reversionary to your spouse, your minor child, a person who has an interdependency relationship with you or other financial dependant but not generally to your adult children (except in limited circumstances);
- there must be at least one payment of the pension in each financial year (though where the pension commences on or after 1 June, no pension payment is required for the financial year in which the pension commences);
- there is no upper limit to the amount of pension payments which can be made in a financial year;
- the pension payments in a financial year must not be less than a minimum amount which is determined at the commencement of the pension and then at the start of each financial year by multiplying the account balance by a prescribed percentage which is determined by your then age;
- the prescribed percentages are as follows:

Age at commencement or 1 July	Prescribed Percentage
Under age 65	4%
65 – 74	5%
75 – 79	6%
80 – 84	7%
85 – 89	9%
90 – 94	11%
95 or more	14%

- where the pension commences part way during a financial year – the minimum pension amount for the commencement year will be pro –rated – so that if the pension commences on 1 October then the minimum pension amount will be only 75% of the calculated amount;
- the pension can be converted (in part or in full) to a lump sum at any time and either rolled back into accumulation phase for you or paid to you as a superannuation lump sum;
- if the pension is converted into a lump sum then generally the minimum (pro rated where the pension is converted part way during a financial year) pension payment must first be paid; and

- lump sums payable in respect of the pension will be subject to superannuation lump sum tax if paid to you before you attain age 60.

6. *What are the main risks of an AB pension?*

The main risks with an AB pension are as follows:

- the pension is not a lifetime pension. The pension will cease on the pension account balance reducing to nil. This means that the pension may terminate during your lifetime.
- the value of pension payments maybe eroded by inflation;
- pension payments will eventually begin to consume an increasing proportion of the pension account balance and so the account balance will begin to decline;
- the duration of the pension and the amount of future years' pension payments may be significantly adversely affected by investment losses;
- the duration of the pension and the amount of futures years' pension payments may be significantly adversely affected by increasing the pension payments from the minimum pension payment; and
- pension payments may be may be inadequate for your income retirements.

7. *What are the terms of an AB Pension?*

The terms of your pension are set out in the Pension Application and the Account-Based Pension Agreement between the Trustee and yourself.

These documents specify the key terms of the pension such as:

- the opening account balance of the pension account;
- the commencement date of the pension;
- whether the pension is to be reversionary;
- if the pension is reversionary – the person or persons who are to be the reversionary beneficiaries;
- the frequency of pension payments;
- whether pension payments are to be paid at the start, end or at some other time during each payment period;
- the amount of each pension payment;
- what happens on your death if the pension is not reversionary and the pension account balance has not been exhausted; and
- what fees and expenses will be debited to the pension account.

It is important to remember that once an account-based pension has commenced the pension account from which the pension payments are made cannot be added to by way of further contributions or benefit transfers.

8. *What Choices can I make with my Pension?*

The choices you can make are:

- the pension can be reversionary - this means that on your death if the pension account balance is still in credit – the pension will automatically transfer to the person nominated as the reversionary beneficiary and be paid as their pension;
- generally, only your current spouse or your minor children, financial dependants or persons with whom you are in an interdependency relationship can be designated as reversionary beneficiaries;
- the payment frequency of the pension – the pension must be payable at least annually but it can be payable more frequently (eg half yearly, quarterly, monthly or fortnightly);
- the timing of pension payments – the pension can be payable in advance (ie start of each payment period) or arrears (at the end of each payment period) or at some other time in relation to each payment;
- the amount of the pension payable in respect of each financial year – this must not be less than a minimum amount calculated in accordance with Government Regulations. This minimum amount is recalculated at the start of each financial year;
- how your account balance (if any) is to be paid on your death.

If your pension is not reversionary (or the reversionary beneficiary has pre-deceased you) any account balance remaining after your death may be paid to or amongst one or more of your dependants or to your estate. If you have provided a binding death benefit nomination, then the account balance on your death will be allocated in accordance with that nomination. If you have not made a binding death benefit nomination then the Trustee chooses which of your dependants will receive the benefit.

When the pension commences, the annual pension amount is selected. This amount must not be less than minimum annual amount. The minimum pension amount is determined in accordance with Government Regulations. The minimum annual payment will be determined as a percentage of the pension account as at 1 July of each year. The percentage used depends on the attained age of the pensioner. See the table in section 5 for the relevant percentages.

On 1 July of each year, this minimum is re-determined using the percentage factor then applicable to your then attained age. The pension payments for the financial year then commencing must be not less than this re-determined amount.

9. *What access do I have to my pension account balance?*

You can access all or part of your pension account balance as a lump sum. If the lump sum is paid to you before age 60, the lump sum will be taxed as a superannuation lump sum.

The payment of a lump sum will reduce the balance of your pension account. However the lump sum will not be treated as satisfying the minimum pension payment requirement. The payment of the lump sum will affect the calculation of the minimum pension requirement which applies for the next financial year.

10. *Can I stop my Pension?*

You can stop the pension –either fully or partially, at any time.

Stopping the pension means that the pension ceases and the pension account balance reverts to accumulation phase.

However if you fully stop the pension – then no pension payments will be made and your pension account balance will change back from being in "pension phase" to being in "accumulation phase".

Once the pension account is back in accumulation phase, investment earnings on the account will be taxable.

Where you partially stop the pension, then only a portion of your pension account balance will revert to the accumulation phase.

You can restart a new pension at any time.

11. *Can I change the pension once it has commenced?*

Some things you can change and some things you cannot change.

You can change the following:

- the frequency of pension payments (so long as there is at least one payment in any 12 month period);
- the pension payment period – fortnightly, monthly, quarterly, half yearly, annually;
- the amount of each pension payment (so long as the total payments in any financial year are not less than the minimum payment for that financial year);
- you can roll back all or part of the pension to accumulation phase; and
- you can change the reversionary beneficiaries – by adding or removing the reversionary beneficiaries

Generally these changes must be made with the agreement of the Trustee.

You cannot:

- add to the pension account balance any contributions or transfers;
- have the pension paid to another person during your lifetime - as the pension must be paid to you; and
- reduce the pension payments so that less than the minimum pension limit is paid in any financial year.

12. *What happens on my death?*

This will depend on whether your pension is reversionary and, if so, whether the nominated reversionary beneficiary has survived you and is eligible to receive the pension.

Pension Reversionary – Reversionary Beneficiary has survived you and is eligible to receive the pension

In this situation the pension will be paid to the reversionary beneficiary.

Pension Reversionary – Reversionary Beneficiary has not survived you

In this situation the pension account balance will be treated as a death benefit and will be paid to your Estate or to one or more of your dependants.

Pension Reversionary – Reversionary Beneficiary has survived you but is not eligible to receive the pension

In this situation the pension account balance will be treated as a death benefit and will be paid to your Estate or to one or more of your dependants.

In the last two situations, if you have provided a Binding Death Benefit Nomination which is valid then the Trustee must apply your pension account balance in accordance with the nomination.

If the Death Nomination is not binding or is invalid, then the Trustee will apply your pension account balance as a death benefit which is to be paid to or amongst your dependants or to your Estate (or both) as the Trustee considers appropriate.

While your pension account balance can be paid to your dependants as either a lump sum or as a pension, the following restrictions apply:

- if your benefit is paid to your Estate then the benefit can only be paid as a lump sum;
- if your benefit is paid to your child who is, at your death, under age 18 – the benefit can be paid as a lump sum or as a pension;
- if your benefit is paid to your child who is, at your death, age 18 or more and is disabled – the benefit can be paid as a lump sum or as a pension;

- if your benefit is paid to your child who is, at your death, age 18 or more but less than 25 and financially dependent on you – the benefit can be paid as a lump sum or as a pension;

- if your benefit is paid to your child who is, at your death, age 18 or more but not financially dependent on you and not disabled – the benefit can only be paid as a lump sum.

Further, any pension benefit paid to your child must stop (if it has not already been converted to a lump sum or previously ceased) and be converted to a lump sum when your child reaches age 25 (unless at that time your child is disabled in which case the pension can continue).

Who are my dependants?

The following persons will be your dependants:

- your spouse (whether legal, de facto or same sex) at the time of your death;

- your children;

- any person who was financially dependant on you at your death; and

- any person with whom you had, at the time of your death, an interdependency relationship.

It is possible that 2 or more persons may be named as reversionary beneficiaries and one of them not survive you. In this situation, part of your pension account balance will be paid as a pension to the surviving reversionary beneficiary and the balance will be treated as a death benefit.

13. *How is the Fund taxed in respect of my pension account?*

The Fund will not pay tax on investment income and realised capital gains to the extent to which they relate to pension payments.

The Trustee may segregate assets thereby earmarking them as being exclusively held to support the pension payments. In this case investment earnings and capital gains incurred from the segregated assets are exempt form tax. Equally, capital losses arising from segregated assets are not offset against other gains.

Where the Trustee does not segregate assets, then a proportion of the investment earnings and realised capital gains will be exempt from time. This proportion is determined on the basis of pension liabilities to all benefit liabilities and will be time weighted as well. This proportion must be determined by an actuary.

14. *How are pension payments paid from the Fund taxed?*

The tax treatment of pension payments you receive depends on your age at the time you receive the pension payment.

- Aged 60 or more

  Each pension payment received after you have attained age 60 is tax free.

- Aged 59 or less but more than your preservation age

  Each superannuation pension payment will consist of 2 components and taxed as follows:

  - the exempt component – tax free
  - the taxable component - fully taxable at normal rates but you will be entitled to a tax offset (rebate) of 15% of the amount of the taxable component.

In limited circumstances a super pension may consist of a taxable component which is, to some extent, "not taxed" in the Fund. In this situation the portion which is not taxed is subject to a special tax regime when the pension is paid by the Fund.

15. *How are lump sum withdrawals from my pension account taxed?*

The tax treatment of lump sums you receive from your pension account depends on your age at the time you receive the lump sum.

- Aged 60 or more - the lump sum is tax free.

- Aged 59 or less but more than your preservation age - the lump sum will consist of 2 components and be taxed as follows:

  - the exempt component – tax free
  - the taxable component - first $160,000 will be tax free and the balance will be taxed at a maximum rate of 15% (plus medicare levy)

What is the $180,000 threshold?

This threshold is a lifetime threshold and so does not apply separately to each payment and is not refreshed each year.

Any portion of the threshold unused in a year is carried forward to the next financial year as well as the dollar amount of the increase (if any) in the threshold over the previous year's threshold.

Where you have received before 1 July 2007 any lump sum superannuation payments or employment termination payments which were taxed at a zero rate then the amount of the $180,000 threshold which is available to you will be reduced.

The threshold will be periodically adjusted by an indexing mechanism. However the adjustment will only occur once the indexed value has increased by $5,000 or more.

16. *What are the tax free and taxable*

components?

The tax free component of a superannuation benefit will be equal to the sum of:

- all non-concessional contributions made since 1 July 2007 including contributions arising from the small business CGT concessions, Government Co-Contributions and contributions arising from permanent disablement settlements; and

- if the benefit relates to super membership which commenced before 1 July 2007 – the amount of the benefit which does not relate to post 1 July 1983 employment or fund membership (this will be a fixed dollar amount calculated by the Trustee and based upon benefit and membership details as at 30 June 2007).

The taxable component is simply the balance of your benefit.

If you only take a portion of your benefit as a superannuation lump sum – for example - $60,000 from an account balance of $100,000 then the $60,000 will be treated as consisting of tax free and taxable components in the same proportions as applies to the $100,000 account balance.

Tax laws prevent you from taking your lump sum benefit entirely or disproportionately from the tax free component of your account balance.

Tax free and taxable components of pensions

When your pension commences, the pension account balance may consist of a tax free amount. For example, your pension account balance may consist of $100,000 of which $30,000 is a tax free component. In this situation, the balance of your pension account will be $70,000 which will be taxable component.

The tax free portion of your pension account is 30%.

Each payment from the pension account balance (whether a pension payment or a lump sum withdrawal) will consist of 30% exempt and 70% taxable.

The exempt percentage of your pension account is determined at the time the pension commences and does not change for the duration of the pension.

It is possible that a pension account will have no exempt component. In this situation the exempt percentage is 0%.

The exempt percentage of the pension account is significant in the following situations:

- if you are under age 60; and

- on your death.

17. How are death benefits taxed?

The tax treatment of death benefit depends on whether the benefit is paid as a lump sum or as a pension.

Lump sums

Generally all lump sum death benefits will be tax free.

However lump sum death benefits paid to certain of your children or to your Estate will have a different tax treatment.

Lump sum death benefit paid to independent adult

A lump sum death benefit paid to your child who is an independent adult will consist of 2 components and be taxed as follows:

- the exempt component – tax free

- the taxable component - taxed at a maximum rate of 15% (plus medicare levy)

Your child will be an independent adult if, at the time of your death, they have attained age 18 and are neither financially dependent on you nor are they in an interdependency relationship with you.

Lump sum death benefit paid to your Estate

A lump sum death benefit paid to your Estate may be taxed in your Estate depending on how the benefit is allocated.

If the lump sum is allocated to persons who, if the lump sum was paid directly to them by the Fund rather than to the Estate, would have received the lump sum tax free, then no tax will be paid by the Estate or the person who receives the lump sum from the Estate.

In all other cases, the lump sum will be taxed to the Estate at a maximum rate of 15% (plus medicare levy) on the taxable component of the lump sum and the tax free component will be tax free.

Pensions

A death benefit pension payment is tax free if either:

- the deceased member was aged 60 or more at the time of death; or

- the dependant receiving the pension payment is aged 60 or more at the time of death.

Where the member died before age 60 and the dependant receiving the pension is under age 60 at the time of death then the pension payment is taxed as follows:

- the exempt portion - is tax free;

- the taxable portion - is taxed at marginal tax rates with a 15% tax rebate on the taxable portion.

Once the person receiving the death benefit pension reaches age 60, the taxable portion of each pension payment received after reaching age 60 is tax free.

Where a death benefit pension is paid to your child and it is required to be converted to a lump sum at age 25, then the lump sum will be tax free.

Tax treatment where death benefit contains portion "not taxed" in the Fund

In limited circumstances a death benefit may consist of a taxable component which is to some extent “not taxed” in the Fund.

In this situation the portion which is not taxed is subject to a special tax regime when the benefit is paid by the Fund.

18. *What information will I be given about my super?*

The Trustee will provide you with information about your super including:

- statements showing the amount of your benefit including the amount of any insurance cover;
- an annual fund report; and
- information about any significant events which relate to the Fund.

19. *Are the financial statements of the Fund required to be audited?*

The Trustee must keep sufficient financial and other records to permit the preparation of financial statements and the required taxation returns and have the financial statements of the Fund audited each year.

20. *What are the significant risks of taking a Pension from the Fund?*

The significant risks are:

- the Fund may cease to be a complying superannuation fund either because the Fund becomes a non-resident fund or the Fund breaches the Superannuation Industry (Supervision) Act 1993;
- current taxation treatment of superannuation is materially adversely altered by the Government;
- the account balance at retirement or upon the commencement of a pension may be too little to provide an adequate income in retirement;
- the Fund’s investment earnings after a pension has commenced may be negative thereby reducing the amount of pension payments and the period during which the pension is payable;
- the pension payable may provide an income stream which is under or in excess of your retirement income requirements;
- you may not devote sufficient time to properly administer the Fund;
- you may not obtain sufficient external assistance to properly administer the Fund; and
- you may adopt an inappropriate investment strategy.

As you will be significantly involved in the management of the Fund, you are in a position to manage the identified risks to protect your interests and those of the other members.

21. *What are the costs?*

As the Fund is a self managed superannuation fund it will be operated on a not for profit basis. Consequently, all expenses incurred by the Trustee will be charged to the Member’s accounts as the Trustee determines.

The expenses include:

- accounting and audit fees including the cost of maintaining financial records, preparation of various taxation returns and costs of obtaining advice and services necessary for the proper operation of the Fund;
- cost of providing death and disablement cover;
- taxation expenses; and
- investment expenses.

Where the Trustee invests in unit trusts (including pooled superannuation trusts), investment life insurance policies and other similar investments, the issuers of those products may, before determining the return on those products, debit some or all of these expenses against the earnings of those products.

22. *Investment of the Fund*

The Trustee is required to invest the assets of the Fund for the benefit of the members. The Trustee has a wide discretion as to when to invest and what types of investments to use.

The Trustee may provide you with investment choice, in which case, you can choose which investment strategies will apply to you.

Where the Trustee does provide investment strategy choice, the Trustee will provide information about the strategies to permit you to make an informed choice.

23. *Labour standards & environmental, social & ethical considerations*

The Trustee when deciding to invest or to switch investments does not take into account labour standards or environmental, social or ethical considerations.