

# OTHER THINGS YOU SHOULD KNOW BOOKLET

23 October 2017

Mercer Super Trust

Allocated Pension Division



The information in this booklet dated 23 October 2017 forms part of the Product Disclosure Statement for the Allocated Pension Division of the Mercer Super Trust dated 23 October 2017.

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This Booklet is issued by Mercer Superannuation (Australia) Limited  
ABN 79 004 717 533 as trustee of the Mercer Super Trust ABN 19 905 422 981.  
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(Australia) Pty Ltd (Mercer) ABN 32 005 315 917.

## ABOUT THIS BOOKLET

This *Other Things You Should Know* Booklet (Booklet) dated 23 October 2017 provides important information about the Allocated Pension Division (APD) of the Mercer Super Trust. This Booklet is incorporated into and forms part of the Allocated Pension Division Product Disclosure Statement dated 23 October 2017 (PDS).

You should consider the information in the PDS, this Booklet, and the *Investment* Booklet dated 23 October 2017 (Investment Booklet) that are part of the PDS before making any decision about your super.

This Booklet contains general information only and does not take into account your individual objectives, financial situation or needs. Before acting on this information, you should consider whether it is appropriate to your objectives, financial situation and needs. You should get financial advice tailored to your personal circumstances.

Mercer Superannuation (Australia) Limited (MSAL) ABN 79 004 717 533 AFSL 235906 is the trustee of the Mercer Super Trust ABN 19 905 422 981. In this Booklet, MSAL is called trustee, we or us.

Mercer Outsourcing (Australia) Pty Ltd (MOAPL) ABN 83 068 908 912 AFSL 411980, Mercer Investments (Australia) Limited (MIAL) ABN 66 008 612 397 AFSL 244385 and Mercer Financial Advice (Australia) Pty Ltd (MFAAPL) ABN 76 153 168 293 AFSL 411766 are named in this Booklet and have consented to being so named.

MSAL, MOAPL, MIAL and MFAAPL are wholly owned subsidiaries of Mercer (Australia) Pty Ltd (Mercer) ABN 32 005 315 917.

MSAL is responsible for the contents of this Booklet and is the issuer of this Booklet.

MOAPL, MIAL, MFAAPL or Mercer are not responsible for the issue of, or any statements in this Booklet, the PDS or the Investment Booklet. They do not make any recommendation or provide any opinion regarding the APD or an investment in the Mercer Super Trust.

The value of the investments in the APD may rise and fall from time to time. MSAL, MOAPL, MIAL, MFAAPL and Mercer do not guarantee the investment performance, earnings, or the return of any capital invested in the APD.



### Updated information

The information in this Booklet, the PDS and the *Investment Booklet* (that is part of the PDS) may change.

You can obtain updated information that is not materially adverse at [mercersuper.com](http://mercersuper.com) or by calling the Helpline to request a copy of the information free of charge. Changes which are materially adverse will be advised to you as required by law.

# HOW TO CONTACT US

## Trustee

Mercer Superannuation (Australia) Limited  
ABN 79 004 717 533  
GPO Box 4303  
Melbourne VIC 3001

Tel: **1800 671 369**

If calling from outside Australia **+61 3 8687 1823**

## Helpline

Call the Helpline on **1800 671 369**  
from 8am to 7pm AEST Monday to Friday.

If calling from outside Australia **+61 3 8687 1823**

## Website

[mercersuper.com](http://mercersuper.com)

After you join the APD, we will send you your personal login. You will then be able to access information about your super in the Mercer Super Trust and other relevant information including annual reports and member newsletters.

Generally [mercersuper.com](http://mercersuper.com) is available 24 hours per day, seven days per week. Please note, however, that the website may not be available when we need to carry out scheduled updates or maintenance.

Call the Helpline if you need information about accessing the website.

## Postal address

Mercer Super Trust  
GPO Box 4303  
Melbourne VIC 3001

## Help in making decisions

You should get advice from a licensed, or appropriately authorised financial adviser.

There are helpful tools and further information at [mercersuper.com](http://mercersuper.com) including:

- up to date information on investment options,
- information from our wealth education experts, and
- financial planning tools.



## Keep your contact details up to date

We can only send you information if we have your current contact details. You can update your details via our website [mercersuper.com](http://mercersuper.com) (sign in using your personal login) or call the Helpline.

We may send member communications to you (including member statements and significant event notices that the law permits) via:

- email (where we have an email address for you including any email address provided by you or any other person on your behalf including your former employer), and/or
- SMS (where we have a mobile number provided by you), and/or
- a link to a website so you can download them.

We can also post any documents to you. When you receive your personal login details, simply update your communication preferences online under 'Personal Details' or call the Helpline.

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## Looking for financial advice?

If you wish to find out about Mercer financial advice services or speak to a Mercer financial adviser call **1800 702 993**.

Mercer financial advisers are authorised representatives of Mercer Financial Advice (Australia) Pty Ltd.

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# MEMBER COMMUNICATION & PRIVACY

This section includes information about how we will communicate with you and respect your privacy.

## KEEPING YOU INFORMED

To help keep you up to date and informed about your super and the Mercer Super Trust you receive:

- a welcome letter confirming your choices in the APD
- confirmation of any balances transferred in
- an online Annual Report to bring you up to speed on investment performance and what's happened to the Mercer Super Trust and in the APD over the year. You can access the Annual Report from [mercersuper.com/documents](http://mercersuper.com/documents) or you can request a hard copy free of charge from the Helpline
- an annual member statement showing changes to your super account
- investment updates and member communications to keep you informed
- notification of all material changes or the occurrence of significant events
- an exit statement when you cease to be a member of the APD, and
- access to a wealth of information and interactive planning tools at [mercersuper.com](http://mercersuper.com) (sign in using your personal login).

## YOUR PRIVACY IS IMPORTANT TO US

We collect, use and disclose personal information about you in order to manage your superannuation benefits and give you information about your super. We may also use it to supply you with information about the other products and services offered by us and related companies. Call the Helpline if you do not want to receive marketing material.

You can read our Privacy Policy online at [mercersuper.com/privacy.html](http://mercersuper.com/privacy.html) or you can obtain a copy by calling the Helpline.

We may not be able to manage your superannuation if you do not provide the personal information we request.

We may sometimes collect information about you from third parties such as your Employer, a previous super fund, your financial adviser, our related entities and publicly available sources.

We may disclose your information to various organisations in order to manage your super, including your employer; the fund's administrator; our professional advisors; our related companies which provide services or products relevant to your super; any relevant government authority that requires your personal information to be disclosed; and our other service providers that help manage your super.

To manage your super, your personal information will be disclosed to service providers in another country, most likely to our administrator's processing centre in India. Our Privacy Policy lists all other relevant offshore locations.

Our Privacy Policy includes more details about how we deal with your personal information and who you can talk to if you wish to access and/or correct information we hold about you. The policy also includes details about how you may lodge a complaint about the way we have dealt with your information and how we will handle that complaint.

Call the Helpline or write to our Privacy Officer, GPO Box 4303, Melbourne VIC 3001 if you have any other queries about privacy issues

# IMPORTANT INFORMATION

## UNCLAIMED MONEY

We will consider your payout as unclaimed money and send it to the ATO if we have been unable to contact you for a period of five years.

We may also be required to transfer your account balance to the ATO if we have not been able to contact you and your account balance is less than \$6,000.

You can approach the ATO directly to claim any such money.

## LOST MEMBERS

We may transfer your super to the SuperTrace Eligible Rollover Fund (SuperTrace) if:

- we've written to you twice, and
- this mail has been returned unclaimed both times.

## ABOUT MERCER SUPER TRUST'S ELIGIBLE ROLLOVER FUND

The Mercer Super Trust uses the SuperTrace Eligible Rollover Fund (SuperTrace).

SuperTrace Eligible Rollover Fund  
ABN 73 703 878 235  
Locked Bag 5429  
Parramatta NSW 2124

Telephone: 1300 788 750  
Fax: 1300 700 353

Website: [www.supertrace.com.au](http://www.supertrace.com.au)

Email: [SuperTrace.Member@cba.com.au](mailto:SuperTrace.Member@cba.com.au)

The trustee of SuperTrace is Colonial Mutual Superannuation Pty. Ltd ABN 56 006 831 983 Australian Financial Services Licence #235025 (CMS). SuperTrace is administered by The Colonial Mutual Life Assurance Society Limited ABN 12 004 021 809 AFSL 235035 (CMLA).

Set out below is a summary of some of the more significant features of SuperTrace (current at the date of this Booklet):

- All assets of SuperTrace are invested in the investment policy (Policy) issued to CMS by CMLA. The policy is currently invested solely in the Capital Stable Fund in the CMLA No. 2L Statutory Fund. The Capital Stable Fund and the CMLA No. 2L Statutory Fund invest in assets that can fluctuate in value. There is no investment choice available to members;
- The investment objective is to invest in a diversified portfolio of assets expected to generate a mix of income and long-term capital growth with an emphasis on stable returns and a reasonably high level of security;
- Investment returns are credited to members' accounts as an annual crediting rate effective 30 June;

- An ongoing fee is calculated as a percentage of your share of assets of SuperTrace (net of tax), which is deducted before the crediting rate is applied. For the current fee refer to the SuperTrace PDS;
- SuperTrace is unable to accept contributions from members or their employers; however rollovers from other superannuation funds are permitted; and
- SuperTrace does not provide insurance cover.

For more information, contact a SuperTrace – Customer Service Representative on 1300 788 750 between 8.30am and 6pm AEST Monday to Friday or go to [www.supertrace.com.au](http://www.supertrace.com.au) for a copy of their latest Product Disclosure Statement.

## ANTI-MONEY LAUNDERING

Under the Anti-Money Laundering and Counter Terrorism Financing Act 2006 (AMLCTF) superannuation funds have to identify, monitor and mitigate the risk that the APD may be used for the laundering of money or the financing of terrorism. Because of this, you will be required to provide satisfactory proof of your identity to the trustee before you withdraw your benefit or the commencement of a pension. You may also need to provide satisfactory proof of identity to satisfy other legal requirements.

At a minimum, you will need to provide the trustee with evidence that verifies your full name, date of birth or residential address. This would usually be in the form of a certified copy of your driver's licence or passport. We will be unable to process any payment request unless we receive this information in appropriate form.

Under the AMLCTF Act, we may need to undertake additional identification checks and monitor transactional activity. We may also need to block or suspend transactions. The trustee will not be liable for any loss suffered by you if there is a delay in making a payment that has been caused by or contributed to by the need to comply with the AMLCTF Act or other legislative requirements.

By law the trustee is also required to comply with confidential reporting obligations to the AMLCTF Act regulator, Australian Transaction Reports and Analysis Centre (AUSTRAC).

## FAMILY LAW

Government legislation allows married and de facto\* couples (including same sex couples) to make binding agreements or get court orders to determine how each partner's super will be divided if their marriage or relationship breaks down.

Law also gives the Family Court a say in dividing a couple's super if a marriage or relationship breaks down.

\*Restrictions apply where a de facto relationship has existed for less than two years. Restrictions also apply in respect of de facto couples in Western Australia. Currently the Commonwealth laws about de facto couples do not apply in Western Australia.

Under the Family Law Act, the trustee needs to provide certain information about a member's super to eligible persons where the information is required to negotiate a superannuation agreement or to help with a court order. An eligible person under the Act includes a member, the spouse of a member or a person who intends to enter into a superannuation agreement with the member.

We may need to adjust your pension payments to reflect any agreements or court orders that may be binding on the trustee. We will advise you about any fee for a request related to the Family Law Act in respect of your super payout.

Call the Helpline about family law matters affecting your super in the Mercer Super Trust.

## TRUSTEE POWERS AND RESPONSIBILITIES

The trustee is responsible for:

- ensuring members' rights and interests are protected
- payment of correct pension payments at the appropriate time
- the proper management of assets, and
- the general operation of the Mercer Super Trust in accordance with the governing documents and applicable legislation.

The trustee has power to invest the assets of the Mercer Super Trust in real and personal property of any nature. The trustee may not borrow money except for temporary borrowing (not exceeding 10% of the value of the assets of the Mercer Super Trust) to pay super entitlements and to settle securities transactions.

The trustee has the right to override any member's investment choices as required by law.

The trustee pays itself a fee out of the fees charged in respect of members.

## RETIREMENT OF TRUSTEE

The trustee must retire if it ceases to be qualified to act as trustee of the Mercer Super Trust in accordance with Government regulations. The trustee may also retire at any time by appointing another company to act as trustee in its place. The new trustee must be eligible to act as trustee of the Mercer Super Trust. The directors of the trustee are also subject to Government regulations concerning their eligibility to be directors.

## TRUSTEE'S INDEMNITY

Both the trustee and its directors are entitled to be indemnified, out of the assets of the Mercer Super Trust, against all liabilities including losses, costs and expenses, which may be incurred in administering the Mercer Super Trust.

The operation of the trustee's indemnity may result in a reduction in a super payout.

The indemnity does not apply to

- liabilities arising out of fraud, dishonesty or intentional or reckless neglect or default, or
- amounts, such as penalties, for which indemnification is not permitted under Government legislation.

## SERVICE PROVIDERS TO THE TRUSTEE

The trustee appoints a number of service providers to help it run the Mercer Super Trust. The main service providers to the trustee include the administrator, the investment consultant and the custodian.

The administrator, the investment consultant and the custodian are paid from the trustee's fee income and their fees are not an additional cost to members.

Call the Helpline for details about the custodian. See below for details about the administrator and investment consultant.

### Administrator

Mercer Outsourcing (Australia) Pty Ltd (MOAPL) provides the following administration services to the Mercer Super Trust:

- administration of member records and unit holdings
- daily management of the Mercer Super Trust's operations including accounting
- preparing communications materials including the Mercer Super Trust's internet site, and
- helpline facilities for members.

### Investment Consultant

The trustee has appointed Mercer Investments (Australia) Limited (MIAL) to advise on the selection, appointment, replacement and ongoing evaluation of investment managers through an implemented consulting arrangement.

## THE GOVERNING RULES

The governing rules of the APD include:

- the trust deed which governs the operation of the Mercer Super Trust, and
- the designated rules covering the general operation of the APD.

The governing rules of the APD together with relevant laws and regulations set out the rules and procedures under which the Mercer Super Trust and the APD operate and also sets out the trustee's duties and obligations to you.

The governing rules are available at [mercersuper.com/documents](http://mercersuper.com/documents).

### Amendment of governing rules

Sometimes the governing rules' provisions need to be amended.

The trustee has the power to amend all or any of the provisions of the trust deed and designated rules. Any amendment must comply with the restrictions in the trust deed, designated rules and any applicable government requirements. Member payouts may be adjusted if the APD is closed. .

## CLOSING THE MERCER SUPER TRUST

The Mercer Super Trust is an indefinitely continuing fund with no fixed termination date. The trustee may terminate the Mercer Super Trust, or the APD, at any time.

Upon termination, the trustee must:

- realise (i.e. sell or cash out) the property of the APD or Mercer Super Trust (as appropriate),
- discharge all liabilities,
- pay the expenses of termination, and
- distribute the balance in accordance with the governing rules of the APD subject to relevant government legislative requirements.

## RECEIVING PAYMENTS FROM MERCER DIRECT

Any payments you request are made from the investment options nominated in your regular income payment investment selection (which can only include options other than Mercer Direct.

If you do not have enough money in the other investment options and you have an investment in the Mercer Direct investment option, then we will contact you to work out how we should proceed. If we are unable to contact you, then we won't process your withdrawal request.

You need to ensure you have enough money in your non-Mercer Direct Investment options to make your regular income payments.

If we are unable to contact you before your next regular pension payment is due, we will pay money from your Mercer Direct investment option so we are able to meet the minimum income amount.



# BENEFICIARIES

You can nominate how you want your account balance to be paid if you die. It may be possible to arrange for the remainder of your account to be paid as a pension or a lump sum (depending on the type of nomination you have made). Each type of nomination and who you can nominate to receive your pension in the event of your death are described in this section.

As there may be estate planning and tax consequences involved in making a particular nomination, we suggest you seek advice from a licensed or appropriately authorised, financial adviser before making such a nomination.

## WHAT HAPPENS IF YOU DIE?

You have two options as to how your account may be paid in the event of your death.

- A Reversionary Beneficiary Nomination – this type of nomination can only be made on first joining the APD and before your pension commences, or.
- A Binding Death Benefit Nomination – this type of nomination can be made at any time.

If at the time of your death the trustee is not in possession of a valid nomination, and no default nominations (as defined in 'Binding Death Nominations' later in this section) are in effect, the trustee will pay a pension (or a lump sum in the event that a pension is not permitted) to your spouse (as defined in 'Definition of Dependants' later in this section), if he or she survives you.

In the event that you do not have a spouse at the time of your death, the trustee will pay a lump sum equal to your account balance to your legal personal representative.

If you have no legal personal representative, the trustee may pay or apply the balance of your account as a lump sum or a pension to any natural persons allowed by law, provided however that a pension can only be paid to a natural person who also meets the definition of Dependant (see 'Definition of Dependants' later in this section for more details).

## REVERSIONARY BENEFICIARY NOMINATIONS – PENSION PAYMENTS ONLY

In order for your pension payments to be continued under a Reversionary Beneficiary Nomination, you must nominate one or more eligible Dependants to receive your remaining account balance as a reversionary pension. This nomination is binding on the trustee and, once made, cannot be altered.

If they are eligible to receive a reversionary pension, your nominated reversionary beneficiary will continue to receive your pension until the earlier of:

- the account balance is zero,
- his or her death, or
- the trustee is prohibited by law from paying the pension.

For so long as the pension is payable, the trustee will ensure that at least one payment equal to the minimum amount required by law is made to your nominated reversionary beneficiary during each financial year, unless superannuation law permits otherwise.

If you wish to make a Reversionary Beneficiary Nomination, you must complete Step 7 of the *Application Form to join the Allocated Pension Division*.

Remember, you can only make a Reversionary Beneficiary Nomination when you first join the APD and before your pension commences.

### Who can you nominate?

You can nominate any person who meets the definition of Dependant as your reversionary beneficiary but note their eligibility to receive a reversionary pension will depend on their circumstances at the date of death (see 'Definition of Dependants' later in this section for more details).

## BINDING DEATH BENEFIT NOMINATIONS

By completing the *Making a Binding Death Benefit Nomination in the Allocated Pension Division* form, you can nominate one or more persons that you require the trustee to pay your pension (or lump sum\*) to, according to the proportions specified by you, by making a Binding Death Benefit Nomination.

In the event of your death, the trustee is bound to follow your Binding Death Benefit Nomination unless it has become invalid (and no default nominations apply) or is no longer in effect.

A Binding Death Benefit Nomination will be invalid if:

- it is not made using the *Making a Binding Death Benefit Nomination in the Allocated Pension Division* form; or
- the *Making a Binding Death Benefit Nomination in the Allocated Pension Division* form has not been properly completed in accordance with the relevant legal requirements which are specified on the form; or
- at the time of your death, one or more of the persons nominated by you has died or is not your Dependant or legal personal representative; or
- you remarry after making the nomination; or
- you were legally incapable of making the nomination; or
- the trustee is legally restrained or prohibited from paying your super to one or more of the persons nominated by you.

A Binding Death Benefit Nomination will cease to have effect if:

- three years has passed from the day you signed the *Making a Binding Death Benefit Nomination in the Allocated Pension Division* form or last re-confirmed that nomination; or
- you have revoked the nomination; or
- the trustee is prevented from making payment in accordance with your Binding Death Benefit Nomination due to the operation of the Family Law Act 1975; or
- you are subject to a Court Order that prevents you from making a Binding Death Benefit Nomination or that requires you to revoke an otherwise valid Binding Death Benefit Nomination.

\* Where superannuation law will not permit the payment of a pension, the benefit will be paid as a lump sum.

### Default nominations

In the event that your Binding Death Benefit Nomination is invalid solely because one or more of your nominees is not alive or does not meet the definition of Dependant at the time of your death, the trustee will pay that part of your pension to those nominees who meet the definition of Dependant.

### Making, changing, revoking or re-confirming your binding death benefit nomination

If you wish to make a Binding Death Benefit Nomination, or re-confirm, amend or revoke an existing Binding Death Benefit Nomination please contact the Helpline.

### Who can you nominate?

When making a Binding Death Benefit Nomination you have the choice of nominating one or more of your Dependents or your legal personal representative (your estate) – see 'Definition of Dependents' later in this section for more details.

## DEFINITION OF DEPENDANTS

Your Dependants\* can include:

- your spouse as defined in the relevant legislation which generally includes
  - your husband or wife
  - another person (whether of the same sex or not) with whom you are in a registered relationship or
  - another person who, although not legally married to you, lives with you on a genuine domestic basis in a relationship as a couple,
- your children as defined in the relevant legislation which generally includes
  - your adopted child, step-child, or ex-nuptial child
  - your spouse's child
  - someone who is a child of you within the meaning of the Family Law Act 1975,
- any other person who the trustee considers is wholly or partially dependent on you, and
- any other person with whom you have an interdependency relationship. (This will occur where you have a close personal relationship with another person (whether or not related by family) and:
  - you and that other person live together,
  - you, the other person, or both of you provide the other with financial support, and
  - you, the other person, or both of you provide the other with domestic support and personal care.
  - It will also occur where you have a close personal relationship with another person but due to a disability the other criteria of interdependency cannot be met.)

\* Not all Dependants are eligible to commence a reversionary pension:

(1) The law only allows a pension to be paid to a Dependant who is a child of the deceased member if the child:

- is under age 18
- is under age 25 and financially dependent on the deceased member or
- suffers a disability of a kind set down in the law.

Once the child reaches age 18 or 25 (if the child is financially dependent on the deceased member), the pension must be commuted and paid out as a lump sum unless the child is suffering from a relevant disability, in which case the pension can continue to be paid.

If at the time of your death the child has already reached age 18 or 25 (if the child is financially dependent on the deceased member) and is not suffering a disability of a kind set down in law, then the trustee will pay a lump sum equal to the relevant portion of your account balance to that child.

(2) For a Transition to Retirement Allocated Pension, the law only allows a pension to be paid to a Dependant who is aged 65 or more or has advised us that they have met another relevant condition of release, as follows:

- leaving their employer at or after age 60
- retiring permanently from the workforce after their preservation age, or
- becoming permanently disabled or terminally ill.

If a reversionary pension is not permitted to be paid, the trustee will pay a lump sum equal to the relevant portion of your account balance to that beneficiary, if he or she survives you.

(3) If any of your spouse or Dependants who are in receipt of a pension die, a lump sum benefit equal to the value of that person's pension will be paid to that person's legal personal representative or, if they have no legal personal representative, to any natural person allowed by law.

If a legal personal representative receives a payout, it will be distributed according to the deceased's will, or if they don't have a will, according to the laws of the State in which they resided at the date of their death.

# TAX AND SOCIAL SECURITY

The rules at a glance....

Generally, no tax is payable on amounts transferred to the Allocated Pension Division (APD). However if the amount you transfer includes an untaxed element that part will be taxed at 15%.

Any investment income or unrealised capital gains are tax free, unless you hold a Transition to Retirement Allocated Pension and have not satisfied a relevant condition of release (see later in this section for more details).

Pension payments and lump sum withdrawals are:

- tax free when paid from age 60 (although some tax may be payable on death payouts and if you have or had an excess balance)
- generally taxable when paid before age 60.

You may be entitled to a 15% tax offset on the taxable portion of your pension payments if you have reached your preservation age and are under age 60.

The following information is a general description of the tax treatment of superannuation and is based on our understanding of the tax laws as at the date of this Booklet. It aims to give you an overview only, assuming you are an Australian or New Zealand citizen or permanent resident. If you are not an Australian or New Zealand citizen or permanent resident different tax rules may apply and you will generally not be able to join the APD. Different tax rules may also apply if you are an Australian or New Zealand citizen or a permanent resident but are currently not a resident of Australia for tax purposes.

As the tax treatment of superannuation is complex and may change at any time we strongly recommend that you obtain advice from a licensed, or appropriately authorised, financial adviser, about how the tax laws affect you.

## ***New transfer balance cap and excess balance tax***

A new 'life-time limit' of \$1.6 million (2016/17) applies to the total amount a member may transfer into pension accounts eligible for a tax exemption on investment earnings. Any existing balances in these accounts at 1 July 2017 will also count against this limit, which is called the 'transfer balance cap'.

If you exceed your transfer balance cap, the excess will have to be either transferred back to an accumulation account (with 15% investment earnings tax then applying) or withdrawn from the superannuation system. In either event you may be assessed for 'excess balance tax' on notional earnings on the excess amount.

You can find more information about the transfer balance cap at [www.ato.gov.au](http://www.ato.gov.au)

## **HOW TAX APPLIES TO AMOUNTS TRANSFERRED TO THE APD**

Generally you'll not be taxed on any superannuation fund payments that are transferred into the APD of the Mercer Super Trust.

However, where the payment includes an untaxed element that component will be taxed at a rate of 15%. This component arises from an untaxed super fund payment. Your rollover statement will show whether you have an untaxed amount.

If an untaxed amount is received by the Mercer Super Trust, then tax will be deducted at 15% immediately. The deducted tax will be held in the Mercer Super Trust and invested until the tax is required to be paid to the Australian Taxation Office (ATO). The trustee may retain for its own use any interest earned on the tax in the period between its deduction and its payment to the ATO.

## **YOUR TAX FILE NUMBER IS IMPORTANT**

While you don't have to provide your tax file number (TFN) to the trustee, and it is not an offence if you don't, if the trustee does not have your TFN we may be required to deduct tax at the highest marginal rate (including Medicare Levy) from the taxable portion of any pension payments or any lump sum withdrawals you make before age 60.

Tax at a higher rate of 47% (rather than 15%) may also apply to any untaxed element rolled over from another super fund.

Any TFN information supplied will automatically be applied to all future investments to and payouts from the APD of the Mercer Super Trust. For more information on the use of TFNs, call the ATO.

## TAX ON PENSION PAYMENTS

The tax payable on your pension payments depends on your age and the different components that make up your pension.

### Pension payments from age 60

You pay no tax on your pension payments from age 60.

### Pension payments before age 60

The taxable component of your pension payments will be treated as income. An estimate of the income tax payable as required by law plus the Medicare levy, will be deducted at the time of payment. This may be more or less than the actual amount of tax. Once you have lodged your income tax return, the ATO will determine the actual tax payable and an appropriate adjustment will be made. The Medicare surcharge may also apply.

No tax is payable on the tax-free component of your pension payments, if any.

If you are between your preservation age and 60, you will be entitled to a tax offset equal to 15% of the taxable component of your pension payments. A 15% tax offset may also apply if you are under your preservation age and your pension has resulted from the death of another person or due to disability.

### Taxable and tax-free components

The taxable and tax-free components of your pension payments are a percentage of each pension payment. The percentages are determined at the commencement of your pension based on the taxable and tax-free components of the amount you transferred into the APD.

For example, if you transfer an amount of \$200,000 into the APD and this is made up of a taxable component of \$150,000 and a tax-free component of \$50,000, then the taxable and tax-free components of your future pension payments will be:

Taxable component = \$150,000 divided by \$200,000 times 100  
= 75%

Tax-free component = \$50,000 divided by \$200,000 times 100 = 25%

## TAX ON LUMP SUM WITHDRAWALS

The tax payable on any lump sum withdrawals depends on your age, the different components that make up your pension and whether or not you have an excess balance.

### Lump sum withdrawals from age 60

You pay no benefit tax on your lump sum withdrawals from age 60.

If you exceed your transfer balance cap, you may be assessed for 'excess balance tax' on notional earnings on the excess amount.

### Lump sum withdrawals before age 60

For benefit tax purposes any lump sum withdrawals will be split between a tax-free component and a taxable component. The split will be based on the percentage determined when you commenced your pension as outlined above. A higher tax-free component may apply if you are totally and permanently disabled or the whole amount may be tax free if you have a terminal illness.

You pay no benefit tax on your tax-free component.

If your lump sum withdrawal is paid after you reach your preservation age but before age 60, you pay no benefit tax on the first \$200,000\* of your taxable component and 15%^ tax on any amount over \$200,000. If you take your lump sum withdrawal before your preservation age, you pay benefit tax at 20%^ on your total taxable component.

\* The limit, the 'low-rate threshold' is applicable for 2017/18 and is indexed from 1 July each year to Average Weekly Ordinary Time Earnings (AWOTE) in steps of \$5,000. The limit is a lifetime limit applicable to all payments made after you reach your preservation age.

^ The Medicare levy (plus where applicable the Medicare surcharge) is also payable.

In addition to any benefit tax, if you exceed your transfer balance cap, you may be assessed for 'excess balance tax' on notional earnings on the excess amount.

## YOUR DEATH PAYOUT AND TAX

If you die and your account is paid to your spouse or other Dependents, the tax treatment will vary depending on your age and whether the amount paid is a lump sum or reversionary pension.

The treatment can also vary depending on your relationship with the recipient of the benefit.

The taxation implications are complex and you should seek professional tax advice or see a licensed or appropriately authorised financial adviser.

## TAX ON INVESTMENT INCOME

The trustee is generally not liable to pay tax on the APD's investment income and realised capital gains.

However, investment earnings on Transition to Retirement Allocated Pension accounts are taxed at 15% unless the holder has satisfied one of the following conditions of release:

- (1) reaching age 65
- (2) leaving an employer at or after age 60
- (3) retiring permanently from the workforce
- (4) becoming permanently disabled or terminally ill

For conditions (2), (3) and (4), the exemption will only apply after you tell us you have satisfied one of these conditions. At that time (or on reaching age 65 if earlier), unless you advise us otherwise we will transfer your investments to the untaxed equivalent of the taxed investment option(s) you have chosen.

Where tax is applicable, an allowance for any tax will be deducted from the value of the assets in order to determine the appropriate unit prices. Depending on your selected investment option you may receive a bonus payment to your account where any excess imputation and foreign tax credits are used to reduce the Mercer Super Trust's overall tax liability.

## SURCHARGE ASSESSMENTS

If we receive a surcharge assessment in respect of you we will return it to the ATO. The ATO will then forward it to you.

## REFUNDS OF TAX OR EXCESS CONTRIBUTIONS AND PAYMENTS OF TAX ASSESSMENTS

If you receive a tax assessment from the ATO due to:

- a superannuation surcharge debt, or
- an excess contributions tax debt, or
- the additional 15% tax applying to concessional contributions of individuals with relevant incomes over \$250,000

the assessment can generally be paid from your account in the APD to the ATO.

In certain circumstances excess non-concessional contributions (plus notional earnings less tax) or excess concessional contributions (less tax) can also be refunded. The ATO will tell you how to get your excess contributions refunded or pay the extra tax when they send you an excess contributions assessment. Any such tax payments or refunds will reduce your account accordingly.

Please note that if you have previously not provided your TFN to the trustee and paid additional tax on your super contributions, you cannot request a refund of this additional tax paid via the APD. Any requests for a refund of this additional tax must be made to the super fund or division of the Mercer Super Trust that paid the additional tax.

## COMPULSORY RELEASE OF EXCESS BALANCE

If the ATO assesses that you have exceeded your transfer balance cap, the ATO may issue us a Compulsory Commutation Authority requiring us to release a specified excess amount from your pension account. The ATO will notify you before they do this.

If this occurs we will try to contact you to obtain your instructions on where to pay the amount. However if we do not receive valid and complete instructions before we have to take action to comply with the Commutation Authority, we will establish a new accumulation account for you with taxed investment option(s) equivalent to (or most closely matching) the untaxed investment option(s) in which your pension is invested and transfer the required amount into this new account.

## SOCIAL SECURITY

The amount of your superannuation may affect your entitlement to Government benefits. Two tests are applied by the Government to determine your eligibility for benefits – an assets test and an income test. The balance of your Allocated Pension account counts toward the asset test and deemed earnings on your Allocated Pension balance count toward the income test.

The Federal Government's regulations relating to social security entitlements and the taxation of superannuation are complex and can change with little notice. As each member's personal circumstances differ, the taxation laws will affect individuals in different ways.

We recommend that you see a licensed or appropriately authorised financial adviser for advice on social security and taxation matters.