

5 August 2013

Ref No. 2173891

Admin User

Reckon Docs Pty Ltd

Eye Building, Building B, 35 Saunders Street Street
Pyrmont NSW 2009

Dear Admin,

Sample Super Fund ('the Fund') – Account Based Pension Documentation

Thank you for your request for pension documentation for **John Smith** – Member of the above named Self Managed Superannuation Fund (SMSF).

We **enclose** the following documentation for you:

1. Account Based Pension Documentation including:
 - A SMSF Pension Guide and Checklist to assist your understanding of the pension process;
 - A Product Disclosure Statement with respect to the provision of an Account Based Pension;
 - Member's pension request to the trustee of the Fund;
 - Trustee meeting to consider the request and pension procedure;
 - Trustee notification to Member of pension procedure;
 - Trustee meeting to determine the details of the Member's pension and to consider the investment strategy for the pension assets;
 - Trustee notification to Member of pension details;
 - Terms and conditions of the pension;
 - Summary schedule with pension commencement details;
 - Trustee meeting to commence the pension.

Please review the documents and arrange for your client to sign and date the documents where indicated. Upon signing please retain the documents with the Fund's records.

2. Our tax invoice – **for prompt payment**, thank you.

If required, an **actuarial certificate** may be obtained from <http://www.bendzulla.com/Supercert.html> with respect to obtaining a tax exemption for the unsegregated assets of the Fund that are funding the pension. This service is provided by **Bendzulla Actuaries** however you are free to use your actuary of choice.

These pension documents have been prepared on the basis of your instructions and current rules. We have not provided any advice in respect of the **enclosed** documents nor in respect of any other matter. Please note that corporation, taxation and Superannuation laws are continually changing. Expert advice should be obtained if there is ever any doubt as significant penalties can be imposed for any breach. Accordingly, except to the extent required by law, we disclaim liability however arising that does not relate to the mere provision of the **enclosed** documents.

Thank you for your continued business. If we can be of any further assistance, please contact our Client Services Team on 1300 139 001.

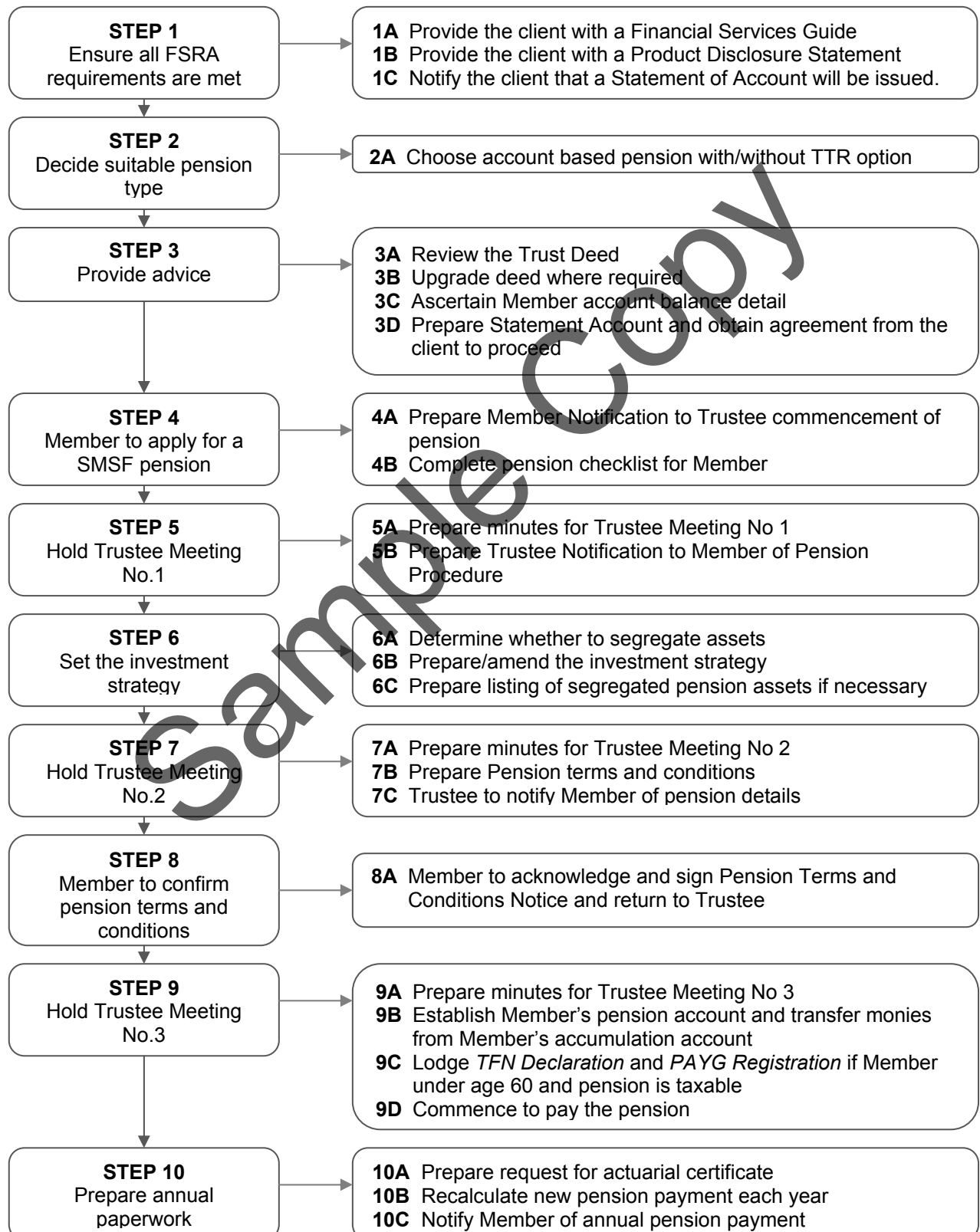
With regards,

Reckon Docs

RD-1.12

Guide to commencing a SMSF pension

RD-1.09



Checklist: SMSF pension commencement

1. The Trustee of the fund to issue the Member with a product disclosure statement ("PDS") containing all relevant information about the Account Based Pension.	<input type="checkbox"/>
2. The Member to read the PDS, agree to be bound by the terms and conditions of the pension and apply to the Trustee to commence an Account Based Pension.	<input type="checkbox"/>
3. The Trustee to hold a meeting to determine the components and value of the Member's account balance and to consider the pension establishment procedure. The Trustee then notifies the Member of the process and sign the minute for Trustee Meeting No.1.	<input type="checkbox"/>
4. The Trustee to hold a meeting to consider and document any changes to the funds' investment strategy and to decide whether or not to segregate specific assets of the fund to pay the pension. The Trustee should seek guidance from an accredited SMSF adviser to draft and implement this. The Trustee should sign the minute for Trustee Meeting No.2.	<input type="checkbox"/>
5. The Trustee to notify the pension Member of the terms and conditions of the pension and request confirmation from the Member of their acceptance.	<input type="checkbox"/>
6. The Trustee to meet to acknowledge the Member's acceptance of the terms and conditions of the pension and to start proceedings to commence the pension. The Trustee should sign the minute for Trustee Meeting No.3.	<input type="checkbox"/>
7. The Trustee to establish a pension account for the Member with the pension commencement amount.	<input type="checkbox"/>
8. The Trustee to put in place a direct debit for the pension payments to be paid from the fund's bank account to the pension Member's personal bank account in accordance with the pension payment terms.	<input type="checkbox"/>

<p>9. If the pension Member is under age 60 and the pension has a taxable component then the Trustee must withhold tax from the pension payments. The Trustee must therefore lodge a '<i>TFN Declaration</i>' and a '<i>PAYG Registration</i>' form with the ATO. Instructions on completing the form and the paper form are provided with the pension documents.</p>	<input type="checkbox"/>
<p>10. Further to 9. the Trustee must prepare a '<i>PAYG Payment Summary – Individual – Non-Business</i>' each year until such time the pension income becomes tax free to the pension Member.</p>	<input type="checkbox"/>
<p>11. The Trustee to engage an actuary and prepare a request for an actuarial certificate if the fund has a combination of accumulation and pension assets that are unsegregated. This certificate should be obtained after the end of the financial year in which the pension started. This certificate may be obtained from www.bendzulla.com.au.</p>	<input type="checkbox"/>

Checklist: SMSF pension compliance

<p>12. Before the end of each financial year the Trustee must ensure that the pension Member has received in total at least the minimum payment due under the pension and make an extra payment if necessary.</p>	<input type="checkbox"/>
<p>13. At the start of each financial year the Trustee must meet to recalculate the minimum pension payment (and maximum if TTR pension) using the payment percentage relevant to the pension Member's age and the pension account balance at that date.</p>	<input type="checkbox"/>
<p>14. The Trustee must provide written notification to the Member of this amount and request confirmation of the actual pension payment required by the Member.</p>	<input type="checkbox"/>
<p>15. After the end of each financial year and if the fund has a combination of accumulation and pension assets that are unsegregated then the Trustee must obtain an actuarial certificate.</p>	<input type="checkbox"/>

RD-1.10

Product disclosure statement

Issued to Member John Smith

Issued by the Trustee of Sample Super Fund

The *Corporations Act 2001* provides that where a person is being provided with a financial product they must receive a Product Disclosure Statement, commonly referred to as a PDS, detailing all their rights and entitlements in relation to that financial product. Under the *Corporations Act 2001* becoming a member of a self managed superannuation fund ('SMSF' or 'a Fund') is a financial product. Among other things, so is the ability of existing members of a Fund to commence a pension from the Fund or for the trustee to pay a benefit to a deceased member's dependants.

For the purposes of this PDS the issuer is the trustee of the Fund. This PDS outlines information to assist a member seeking to commence a pension in their SMSF and must be read in conjunction with the trust deed of the Fund - where all rights and entitlements of members, their dependants as well as duties and responsibilities of the trustees are to be found.

Where a member wishes to commence a pension the trustee must set out the terms and conditions of the pension in writing and notify these to the member. These terms and conditions form part of the governing rules of the Fund.

Pension Entitlements

A member is entitled to be paid an income stream – called a pension from the fund. The member must first satisfy various requirements in order for the pension to be paid. Most importantly the member must satisfy a 'condition of release' in order to be paid the benefits. This might include attaining preservation age which is 55 for those born before 1 July 1960 and up to age 60 for those born after this date. Other conditions of release include retirement or reaching age 65.

A new account based pension replaces the allocated and market linked pension types with effect from 1 July 2007. There is also a variation to this pension to satisfy the transition to retirement rules for those members aged 55 or more seeking to commence a pension while still continuing to work. The rules governing these new 'simplified and streamlined' pensions were introduced under the *Simpler Super* reforms announced in the May 2006 Federal Budget.

An allocated pension may not commence after 19 September 2007. A market linked pension is only available in limited circumstances after this date. From 20 September 2007 **all** new pensions **must** now commence in line with the new rules and the Fund's deed must be upgraded if necessary to meet this requirement.

The new rules mean that from 1 July 2007 existing pensions may adopt new minimum payment rules and will be taken to meet the new rules in the pension standards in the *SIS Regulations*. Trustees must document the changes to the original terms and conditions of the pension for these new rules to take effect.

The Account Based Pension

In essence the new account based pension is a lump sum draw down account where the member must receive at least a minimum amount each year from the member's pension account each year. The annual pension payment is calculated in accordance with the table below. Since February 2009 the Government has suspended the minimum payment requirement for pensions for the 2008/09, 2009/10, 2010/11, 2011/12 and 2012/13 financial years. Instead a 50% reduction in the minimum payments has applied for the 2008/09, 2009/10 and 2010/11 years and a 25% reduction in the minimum payments for the 2011/12 and 2012/13 financial year. The reductions apply to account based pensions and allocated pensions and annuities and market-linked pensions and annuities.

Age of member	Minimum % of account balance to be taken	Minimum % of account balance to be taken for 10/11	Minimum % of account balance to be taken for 11/12 & 12/13	Minimum % of account balance to be taken for 13/14
Under 65	4	2	3	4
65-74	5	2.5	3.75	5
75-79	6	3	4.5	6
80-84	7	3.5	5.25	7
85-89	9	4.5	6.75	9
90-94	11	5.5	8.25	11
95+	14	7	10.5	14

Other requirements that must be included in the terms and conditions of the pension include:

- the underlying capital of the pension cannot be increased after the commencement date by the addition of any contributions or rollovers;
- the pension is able to be converted to a lump sum subject to special rules applying for transition to retirement pensions – see below;
- the pension cannot be used as security for any borrowings (income or underlying capital);
- upon death of the member the pension can be transferred as a reversionary pension to a named reversionary beneficiary who must be a dependant* or the balance of the pension account may be cashed and paid as a lump sum to a dependant or to the deceased estate of the member.

* The Simpler Super pension rules restrict the type of dependants to whom a reversionary pension may be paid or transferred. The rules prohibit the reversion or transfer of a pension to a dependant where that person is a child of the member and is an adult (over 18 years) unless they are between 18 and 25 years and financially dependant on the member or they have a permanent disability that meets the provisions of the *Disability Services Act, 1986* and are in need of ongoing support.

The new pension rules specify that a pension (of any type) WILL NOT satisfy the rules if this occurs which means that the trustee is in breach of the superannuation laws and could cause the fund to become a non-complying fund.

Where a member dies their estate or dependants may receive any remaining account balance as a lump sum or pension or combination of both. An important issue to highlight here relates to the transfer of a pension to a 'reversionary beneficiary' upon a member's death. The new pension rules prohibit the reversion or transfer of a pension to a dependant where that person is an adult child (over 18 years) of the member unless they are between 18 and 25 years and financially dependant on the member or they have a specified permanent disability and are in need of ongoing support.

The terms and conditions of the pension allow a member to nominate a dependant to whom the reversionary pension must be transferred after the member's death ("reversionary nomination"). That dependant must be a person entitled to be paid a benefit as a pension. If the reversionary nomination is effective, it will override the member's valid binding death benefit nomination, if any. If the reversionary nomination is ineffective, the pension will be transferred to the person named to receive the member's death benefit in the member's valid binding death benefit nomination, if any. If that person is not entitled to be paid a pension the balance standing in the member's pension account will be paid in accordance with the member's valid binding death benefit nomination and if there is none, at the discretion of the Trustees of the Fund in accordance with the Fund rules.

The Transition to Retirement Pension

This pension is an account based pension that is available to a member of a Fund who has reached their preservation age but who has not yet retired.

Preservation age means:

- for a person born before 1 July 1960 — 55 years; or
- for a person born during the year 1 July 1960 to 30 June 1961 — 56 years; or
- for a person born during the year 1 July 1961 to 30 June 1962 — 57 years; or
- for a person born during the year 1 July 1962 to 30 June 1963 — 58 years; or
- for a person born during the year 1 July 1963 to 30 June 1964 — 59 years; or
- for a person born after 30 June 1964 — 60 years.

The transition to retirement pension operates with two additional terms and conditions:

- the pension cannot be taken as a lump sum until the member meets a condition of release such as retirement, death, permanent disability or age 65;
- the maximum pension payment in any one year is limited to 10% of the member's account balance. For example if a 56 year old member commenced a transition to retirement pension on 1 July 2007 with a \$1.8M account balance then the minimum pension payment would be \$72,000 and the maximum amount available would be \$180,000.

Taxation of Pensions

1. Taxation of Pension Assets in the Fund

The taxable income of a Fund excludes any income or capital gains earned on assets that are being used by the trustee to provide pensions. These are exempt from taxation provided that the trustee has segregated those assets from the accumulation assets of the Fund. Upon segregating, the Fund will have two parts – the accumulation side and the pension side, each with different taxation consequences.

If the trustee chooses not to segregate the assets of the Fund when a pension commences then they are required to obtain an actuarial certificate each year to ascertain the portion of the income and capital gains of the Fund that will be tax exempt.

2. Taxation of Pension Benefits to a Member

Benefits paid to a member are taxed according to their age, the type of benefit and the components that make up the member's balance in the fund. From 1 July 2007 pension payments made to a person age 60 and over will be tax free. Where the pension member is under age 60 the pension will be included in the member's assessable income and a 15% tax rebate will apply if the person is aged 55 and over, or is totally and permanently disabled or the pension is payable upon the death of the member. The pension may have a tax free amount which is to be calculated as the amount that the portion of the member's tax-free component bears to the taxable component for each pension payment.

The tax free component and the taxable component should be determined for the total of the member's benefit in the fund and then applied proportionately to the member's pension account at the time of commencement of the pension.

The tax free component includes:

- A consolidation of existing superannuation interests calculated as at 30 June 2007 as a fixed amount and includes any undeducted contributions, pre-July 1983 component, CGT exempt component, concessional component and post-June 1994 invalidity component. This is called the 'crystallised segment' of the tax free component; and
- Non-concessional contributions (undeducted) made on or after 1 July 2007 that have not been included in the assessable income of the fund. This is called the 'contributions segment' of the tax free component.

Tax free benefits received are not required to be included in a person's income tax return.

The taxable component is calculated to be the total of the member's superannuation interest in the fund less the tax-free component and will comprise an element taxed in the fund and in limited circumstances perhaps an element untaxed in the fund. An element taxed in the fund refers to that part of a member's benefits – contributions and earnings – that have been subject to tax in the fund, which is typically the case for members of a SMSF.

While a person may be receiving a tax free income stream while they are alive it may not seem important to keep track of the tax free and taxable components. Upon death of a pension member however it may be important if paying out death benefits to a non-dependant (within the meaning of the Tax Act) as the tax free component retains its status in the hands of the dependant.

The following table summarises the tax treatment applicable to the taxed element of the taxable component of benefits received by members from 1 July 2007. The Medicare levy is also payable on top of any rate > 0% quoted below.

Age	Lump sum	Pension
Age 60 and over	Tax free	Tax free
Preservation age up to age 59	0% up to low rate cap of \$175,000 in the 2012/13 income year and indexed thereafter 15% tax on amount above low rate cap	Marginal income tax rates with a 15% tax rebate
Below preservation age	20%	Marginal income tax rates with no 15% tax rebate with the exception of disability pensions

Member Acknowledgement

- ☐ I acknowledge that I have read the product disclosure information issued to me by the trustee of the Fund in relation to the commencement of a pension for myself to be paid from my self managed superannuation fund.

John Smith

Date

Member notification to trustee

Commencement of an Account Based Pension

Sample Super Fund

Member: John Smith

To the Trustee of **Sample Super Fund**,

I wish to inform the Trustee of **Sample Super Fund** ("Fund") that I would like to commence an account based pension on **01/07/2012** with **\$300,000** of the balance of my Member Superannuation interests in the Fund as at that date.

I confirm that:

- in relation to the pension I have read the product disclosure statement provided to me by the Trustee of the Fund and I agree to abide by and be bound by the governing rules of the Fund.
- I am eligible to be paid a pension benefit from the Fund. The condition of release that I have met is that I have **attained preservation age**.
- I have not yet retired and so request the transition to retirement option for my pension.
- my date of birth is **01/01/1950**.

I request that:

- the pension be paid to me **annually**.
- for the current financial year I receive an amount of annual pension income of **\$9,000** but not limited thereto and subject to the minimum payment rules in the Superannuation laws.
- in the event of my death I would like the pension to continue on for the benefit of my reversionary beneficiary.
- my reversionary beneficiary's name is **Jane Smith** and date of birth is **01/01/1951**.

Executed by:

.....
John Smith

...../...../.....
Date

Minutes of trustee meeting

Member Request for Pension

Sample Super Fund

Attended by the Trustees for Sample Super Fund ('the Trustee').

Held at: Level 12, 65 Berry Street North Sydney NSW 2060

Date:/...../.....

Time:

Present: Jane Smith
John Smith

Chairperson: John Smith was appointed Chairperson of the meeting.

Notification to commence an account based pension: **IT WAS NOTED** that the attached notification has been received from the Member, **John Smith** who is seeking to commence an account based pension on **01/07/2012** with the balance of the Member's entitlement in the Fund as at that date.

John Smith **John Smith** has notified of reaching preservation age but is not yet retired. On this basis, the Member opts for the transition to retirement pension.

Components of Member's account at pension commencement date: **IT WAS NOTED** that the following amounts are held in the Fund on account of **John Smith** as at the pension commencement date:

John Smith

Tax Free Component	
• Crystallised Segment	\$100,000
• Contributions Segment	\$100,000
Total Tax Free Component	\$200,000
% of Total Member Balance	66.67%
Taxable Component	
• Element Taxed	\$100,000
• Element Untaxed	\$0
Total Taxable Component	\$100,000
% of Total Member Balance	33.33%
Total Member Account Balance	\$300,000

Authorisation for the pension:

IT WAS NOTED that the Trustee is authorised to pay an Account Based Pension pursuant to **Rule 20** of the Fund's Trust Deed and governing rules.

Procedures to implement pension:

IT WAS AGREED that the pension must be paid in accordance with **Rule 20** of the Fund's Trust Deed and governing rules. Further, the pension must operate in accordance with the pension standards set out in Regulation 1.06(1) of the *Superannuation Industry (Supervision) Regulations 1994* ("SIS Regulations") and all relevant rules in the *Income Tax Assessment Act 1997* ("Tax Act") and accompanying regulations.

The Trustee notes that the rules of the Fund are silent in respect of specific procedures for the payment of a pension and thus the Trustee has decided to adopt the following:

1. Determine the proportion of the tax free and taxable components of the Member's account balance detailed above that will be used to Fund the pension.
2. Review the investment strategy of the Fund to ensure it is appropriate in relation to the assets that will be used to Fund the pension and whether to segregate those assets.
3. Provide the Member with written terms and conditions of the pension.
4. Request written confirmation from the Member as acceptance of the pension terms and conditions and their incorporation into the governing rules of the Fund.
5. Establish a pension account, from which the pension will be paid, with monies transferred from the Member's account balance in the Fund.
6. Commence to pay the pension in amounts determined with reference to the minimum payment standards imposed by the SIS Regulations.

Trustee resolution:

IT WAS RESOLVED that the Trustees are satisfied that **John Smith** is eligible to be paid a pension from the Fund and to notify the Member regarding the procedures to be adopted for the establishment of the pension.

Meeting closed:

There being no further business, the meeting was declared closed.

Confirmed as a true and correct record.

.....
John Smith – Chairperson

Trustee notification to member

Account Based Pension Procedure

Sample Super Fund

To Member: John Smith

We refer to your request to the Trustees of **Sample Super Fund** to commence an account based pension on your behalf with **\$300,000** of your Member's entitlement in the Fund.

The Trustee is authorized to pay this pension pursuant to **Rule 20** of the Fund's Trust Deed and governing rules and the pension must operate in accordance with *SIS Regulation 1.06(1)*.

The Trustee hereby notifies the Member of the procedures adopted regarding the commencement of your pension. As the Trust Deed is silent in respect of a specific pension process, the Trustee has decided to adopt the following procedures:

1. Determine the proportion of the Funds in your Member's account balance that will be used to Fund the pension;
2. Determine an appropriate investment strategy in relation to the assets that will be used to Fund the pension;
3. Calculate the annual pension payment in accordance with the payment standards prescribed in the *SIS Regulations* and ensure that your desired annual pension income is at least equal to or greater than the minimum payment imposed by these rules and regulations;
4. Calculate the tax free and taxable components of your pension payment with reference to the proportion that these components make up of your total Member's Superannuation interest in the Fund;
5. Provide you with a pension statement to detail each of the terms and conditions of your pension;
6. Seek your written acceptance of the terms and conditions of the pension;
7. Establish a separate pension account from which your pension will be paid, with an amount of assets transferred from your Member's account balance in the Fund; and
8. Commence to pay the pension to your nominated bank account;

Executed by and on behalf of the Trustee:

.....
John Smith

...../...../.....
Date

Minutes of trustee meeting

Pension Establishment

Sample Super Fund

Attended by the Trustees for Sample Super Fund ('the Trustee').

Held at: Level 12, 65 Berry Street North Sydney NSW 2060

Date:/...../.....

Time:

Present: Jane Smith
John Smith

Chairperson: John Smith was appointed Chairperson of the meeting.

Pension establishment details: The chairperson tabled all relevant information including any advice received pertaining to the establishment of an account based pension for **John Smith** for the purpose of confirming:

- Member:**
- the components of the Member's pension account balance;
- John Smith**
- the terms and conditions of the pension;
 - the minimum pension payment for the current financial year;
 - the details of the assets supporting the pension.

Trustee resolutions: **IT WAS RESOLVED** that the Pension Commencement Amount will comprise the following components that have been calculated to equate to the proportion that those components have in the Member's total interest in the Fund as required by the Fund's Trust Deed and governing rules and relevant SIS and Tax rules and regulations.

Components of pension commencement amount:

John Smith

Pension commencement amount		% of total
Tax Free Component	\$200,000	66.67%
Taxable Component	\$100,000	33.33%
Total	\$300,000	100%

IT WAS RESOLVED that as the Member is aged over 60 and as the pension is sourced from taxed elements or tax free elements, the pension will be tax free however these components will be recorded for future reference for the purposes of paying death benefits to non-tax dependants of the Member in the event of the Member's death.

Pension terms and conditions

IT WAS NOTED that a pension will only be considered to be a pension for the purposes of the *Superannuation Industry (Supervision) Act 1993* ("SIS Act") if the governing rules of the Fund ensure that the pension meets certain terms and conditions. These are pension standards that are set out in the SIS Regulations.

IT WAS RESOLVED that for this pension to comply with the SIS Act and the governing rules of the Fund, the terms and conditions of the pension will be those specified in the attached notice to be issued to the Member.

Minimum payment:

IT WAS RESOLVED that the relevant percentage factor, referable to the Members' current age, that applies to determine the minimum total annual payment, shown below for the current financial year is:

John Smith – 3.00%, \$9,000

Transition to retirement:

IT WAS RESOLVED that the maximum payment allowable under this pension is limited to 10% of the pension account balance as at the commencement date and has been calculated to be

John Smith – 10%, \$30,000

Investment strategy:

IT WAS RESOLVED that the Fund's current investment strategy remains appropriate to adequately administer the liquidity of the pension assets and meet the expected cash flow requirements of the pension.

The current investment strategy will be reviewed at least annually for the pension Member as required by the Fund's auditor and may also be reviewed at other times if there is any significant event which may impact upon the Member's pension benefits.

Segregation of pension assets:

IT WAS RESOLVED not to segregate those assets that will be supporting the pension.

Establish pension account:

IT WAS RESOLVED that the Member's Pension Commencement Amount be transferred to a pension account established for the Member for the purposes of Funding the pension.

Actuary's certificate:

IT WAS NOTED that pursuant to the SIS and Tax laws an actuary's certificate will be required for the Fund in relation to the establishment of the pension as the assets Funding the pension are not to be segregated from other assets in the Fund. This certificate is to be obtained after the end of this financial year.

Trustee notification:

IT WAS RESOLVED that the terms and conditions of the pension and all other relevant details pertaining to the pension will be issued to the Member in the attached notice and must be confirmed by the Member in a written acceptance to the Trustees before proceeding.

Meeting closed:

There being no further business, the meeting was declared closed.

Confirmed as a true and correct record.

.....
John Smith – Chairperson

Trustee notification to member

Commencement of an Account Based Pension

Sample Super Fund

To Member: John Smith

We refer to your request to the trustee of **Sample Super Fund** to commence an account based pension on your behalf with **\$300,000** of your member's entitlement in the fund.

The trustee has reviewed your benefits and confirms that an account based pension is available to be paid to you. The trustee notes that this pension must comply with various requirements of the *Superannuation Industry (Supervision) Act 1993* ("SIS Act") and the *Income Tax Assessment Act 1997* ("Tax Act") and their Regulations.

The trustee has resolved that your pension must operate in accordance with the terms and conditions specified in the attached notice in order to meet these compliance requirements. Before commencing the pension the trustee requires that you confirm your understanding of the terms and conditions of the pension.

Could you please confirm all the information in the attached notice and acknowledge your acceptance of the terms and conditions of the pension by signing in the space provided on both copies. Please retain one copy for your records and return the other copy to the trustee as soon as possible.

Executed by and on behalf of the Trustee:

.....
John Smith

...../...../
Date

Sample Super Fund

Account Based Pension
(Transition to Retirement)

Pension Terms and Conditions

John Smith

Pension terms and conditions

Member: John Smith

Sample Super Fund

1. Introduction

- 1.1 The Member, named above of **Sample Super Fund** wishes to commence an account based Pension.
- 1.2 The Trustees intend that the Pension should be maintained as a Pension for the purposes of the *Superannuation Industry (Supervision) Act 1993* ("SIS Act") and in compliance with Regulation 6.01 (2) of the Superannuation Industry (Supervision) Regulations ("SIS Regulations").
- 1.3 This notice sets out the terms and conditions under which the Trustees will pay the Pension to the Member in order to comply with 1.2 and the trust deed and governing Rules of the Fund.
- 1.4 Upon acceptance by the Member these terms and conditions of the Pension form part of the governing Rules of the Fund.

2. Terms and Conditions

- 2.1 The Pension commencement amount may not be increased by any contributions or rollovers after the Pension has commenced. The Pension commencement amount is the amount of assets or initial capital set aside to the Member's Pension Account as at the commencement date to support the Pension. The commencement date of the Pension may be the first day of the period to which the first payment of the Pension relates but not before the date of acceptance of these terms and conditions by the Member or before a Member or his/her Pension Dependant becomes entitled to a Pension or before the assets or capital to support the Pension are held by the Fund.
- 2.2 There must be at least one Pension payment made each and every year to the Member, except where the commencement date of the Pension is on or after 1 June in a particular year.
- 2.3 The total Pension payments made in a financial year must be equal to or greater than the minimum amount calculated in accordance with the SIS Regulations taking into account the Member's age and Pension account balance at the beginning of that year.
- 2.4 Where a Pension is being paid as a "transition to retirement" Pension as defined by SIS Regulation 6.01(2) then:
 - (a) the maximum Pension payment in any one year is limited to 10% of the Pension account balance as at 1 July of that year;
 - (b) it cannot be commuted until the Member meets a condition of release, prescribed by the SIS Regulations, such as retirement, turning age 65, becoming permanently disabled or death.

- 2.5** On the death of the Member, provided it is permitted by the SIS Act and SIS Regulations, the Pension must be transferred to the surviving reversionary beneficiary named in the attached Schedule who is eligible to be paid a Benefit in the form of a Pension but if there is no such surviving reversionary beneficiary, to a person eligible to be paid a Benefit in the form of a Pension who is nominated to be paid Benefits in a valid Binding Death Benefit Nomination made by the Member.
- 2.6** If a Pension cannot be transferred in accordance with clause 2.5 above on the death of the Member, the remaining balance of the Member's Pension Account must be paid:
- (a) in accordance with a valid Binding Death Benefit Nomination made by the Member; or if there is none;
 - (b) at the discretion of the Fund Trustees and in accordance with the SIS Act and SIS Regulations which may permit the payment of a lump sum or Pension to eligible dependants and/or payment of a lump sum to the Member's estate.
- 2.7** Subject to the superannuation and taxation laws prevailing at the time and provided that the Fund's trust deed and governing Rules allow it, the Trustees may continue to pay the Pension to the estate of the deceased Member upon death of the Member until such time the Trustees are able to disburse the remaining balance in the Member's Pension Account.
- 2.8** The underlying capital of the Pension and any income from it cannot be used as security for any borrowings.
- 2.9** The Pension may only be commuted and cashed in the circumstances permitted by the SIS Regulations.
- 2.10** The commencement and operating details of the Pension are listed in the Pension Commencement Schedule attached to this notice.

3. Rolling Pension Terms and Conditions

If during the course of a financial year, contributions are paid into the Fund for the benefit of the Pension Member, then this Pension is deemed to have ceased as of 30 June in that year and recommenced on 1 July of the following year on the exact terms and conditions of that preceding Pension. The Pension commencement amount in this instance will be the sum of the balance of the Member's Accumulation Account and the Member's Pension Account as of 1 July in that following year.

4. Definitions

All terms defined in the Rules of the Fund have a similar meaning when used in these terms and conditions.

5. Member Acknowledgement

I acknowledge the terms and conditions of this Pension and agree:

- 5.1** to be bound by them;
- 5.2** that that these terms and conditions form part of the Rules of the Fund;

5.3 to provide information to the Trustees of the Fund when and as required:

- (a) to facilitate the payment of the Pension;
- (b) that may impact upon the payment of the Pension;
- (c) regarding any change of personal circumstances that may impact upon the payment or reversion of the Pension;

5.4 to notify the Trustees of the Fund within a reasonable period of time of any request to:

- (a) transfer the Pension from this Fund to another complying superannuation Fund;
- (b) alter the terms and conditions of the Pension subject to the Fund's trust deed and governing Rules and any relevant superannuation laws;

5.5 to make no further claim on the Trustees in respect of the amount of any Pension payments made to me.

Executed by:

.....
John Smith

.....
Date

Schedule: Pension commencement

Sample Super Fund

Member name	John Smith
Member date of birth	01/01/1950
Pension type	Account Based Pension
Transition to retirement	Yes
Condition of Release	Attained preservation age
Commencement date	01/07/2012
Current financial year	2012-2013
Pension commencement amount	\$300,000
Components	Tax Free: 66.67%
	Taxable: 33.33%
Payment percentage factor	3.00%
Minimum Pension	\$9,000
Maximum Pension	\$30,000
Gross annual Pension	\$9,000
Payment frequency	Annually
Payment amount	\$9,000.00
Tax free amount	\$9,000.00
Taxable amount	\$0.00
Trust deed rule	20
Asset segregation	No
Actuarial certificate required	Yes
Reversion	Yes
REVERSION %	100.00%
Reversionary beneficiary name	Jane Smith
Reversionary beneficiary date of birth	01/01/1951

Minutes of trustee meeting

Pension Commencement

Sample Super Fund

Attended by the Trustees for Sample Super Fund ('the Trustee').

Held at: Level 12, 65 Berry Street North Sydney NSW 2060

Date:/...../.....

Time:

Present: Jane Smith
John Smith

Chairperson: John Smith was appointed Chairperson of the meeting.

Member acceptance of pension terms & conditions: **IT WAS NOTED** that the Trustee has received a signed acknowledgment from the Member of acceptance of the terms and conditions of the pension.

John Smith

Pension terms & conditions included in governing rules of Fund: **IT WAS RESOLVED** that the terms and conditions of the pension as accepted by the Member form part of and are incorporated into the governing rules of the Fund.

IT WAS RESOLVED to retain the signed pension terms and conditions with the Fund's records.

Pension commencement: **IT WAS NOTED** that the Trustees are authorised to attend to the completion of the following in order to commence the pension and **RESOLVED TO:**

1. Establish a pension account for **John Smith** in the amount of **\$300,000** and transfer an amount of capital or those assets segregated for this purpose to the Member's pension account.
2. Establish a direct payment authority from the Fund's bank account to the Member's nominated bank account.
3. Commence to pay the pension in the amount and frequency nominated by the Member pursuant to the Pension Commencement Schedule.
4. Attend to any other matter relevant to the payment of the pension as and when the need arises.

Taxation obligations:

Non-taxable pension

IT WAS NOTED that the pension is non-taxable to the Member as the Member is aged 60 or over and therefore there is no obligation for the Trustee to remit pay as you go tax, providing no superannuation income is drawn from an untaxed element, otherwise any amount paid from an untaxed element will attract a 10% tax offset of that element.

Meeting closed:

There being no further business, the meeting was declared closed.

Confirmed as a true and correct record.

.....
John Smith – Chairperson

Sample Copy