

# REDUCTION OF THE MINIMUM PENSION CONTINUES INTO 2021/22

PRODUCT UPDATE | 30 JUNE 2021

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

## Why has this relief been extended for another year?

The Government relief provides pension members of an allocated pension, term allocated pension (TAP) and transition to retirement pension (TTR) with the choice to protect their capital in a time when losses in the financial markets as a result of the COVID-19 crisis are still having a negative effect on their account balances. By reducing the minimum amount of pension that must be paid (for 2019/20, 2020/21 and 2021/22 financial years), the risk of investment losses when markets are down is minimised by pensioners who elect to take up the minimum payment option.

## 1. Allocated pensions and transition to retirement (TTR) pensions

### What is your minimum annual pension for 2021/22?

The minimum pension drawdown rates for allocated pensions and transition to retirement (TTR) pensions are halved for 2021/22 and are detailed in the table below.

From 1 July 2022, the minimum drawdown rates will revert back to the Standard rates which applied before the Government relief was provided (refer below).

Age at 1 July	Reduced minimum drawdown rates for 2021/22 (p.a.)	Standard minimum drawdown rates for 2022/23 (p.a.)
Under 65	2.0%	4.0%
65 to 74	2.5%	5.0%
75 to 79	3.0%	6.0%
80 to 84	3.5%	7.0%
85 to 89	4.5%	9.0%
90 to 94	5.5%	11.0%
95 or more	7.0%	14.0%

You can estimate your minimum annual pension payment for 2021/22 by multiplying your account balance on 1 July 2021 by the applicable reduced minimum drawdown rate for your age at 1 July 2021 (refer to the table above).

### **What happens from 1 July 2021?**

From 1 July 2021, the following automatically applied if you're receiving an allocated pension or TTR pension, but you can request a change:

- if you nominated to receive the minimum pension for 2020/21, then for 2021/22 you continue to receive the minimum pension calculated at 1 July 2021 (using the reduced minimum drawdown rate for your age - refer to the table on the previous page), or
- if you nominated to receive a particular amount of pension for 2020/21, then for 2021/22 you continue to receive the same amount of pension (unless it is below the minimum annual pension required to be taken for 2021/22, in which case it would be brought up to this amount).

We will write to you to confirm your annual pension for 2021/22.

### **How do I change my annual pension for 2021/22?**

You can phone or email Customer Services with your full name, member number and instructions to:

- apply the temporary minimum drawdown rate, or
- pay a fixed dollar amount of pension, or
- suspend pensions payments until 2022/23 (if you have already received the minimum pension for 2021/22).

## **2. Term Allocated Pensions (TAPs)**

### **What is your minimum annual pension for 2021/22?**

Your 'annual pension amount' is the total value of your pension account on 1 July of a year divided by a payment factor applicable to the remaining term of your pension on 1 July of that year.

With the reduced minimum drawdown relief applying for the 2019/2020 and 2020/21 financial years and continuing through to the 2021/2022 financial year, you can vary your calculated minimum annual pension amount by up to 50%. The minimum annual pension is effectively halved for these financial years.

From 1 July 2022, the minimum annual pension is expected to revert back to the standard rates.

### **What happens from 1 July 2021?**

From 1 July 2021, one of the following automatically applies unless you request a change:

- If you nominated to receive the minimum pension for 2020/21, you will continue to receive the minimum pension.
- Alternatively, if you nominated to receive a particular amount of pension for 2020/21, then for 2021/22 you continue to receive the same amount of pension. However, if your nominated amount of pension is not within the minimum and maximum amount of pension that you can take with us for 2021/22, it would be brought within the required range. Note, the maximum amount of pension is 110% of your calculated annual pension amount at 1 July 2021.

We will write to you to confirm your annual pension for 2021/22.

### **How do I change my annual TAP pension for 2021/22?**

You can phone or email Customer Services with your full name, member number and instructions to:

- apply the temporary minimum pension amount (i.e. 50% of your calculated annual pension amount at 1 July 2021), or
- pay a fixed dollar amount of pension (as long as it is within the minimum and maximum amount of pension that can be taken for 2021/22), or
- suspend pensions payments until 2022/23 (if you have already received the 45% minimum pension for 2021/22).

## Any questions?

If you have any questions or require further information, please:

- speak to your financial adviser
- call Customer Services on **13 38 63** , weekdays between 8.30am and 6.30pm (AEST), or
- email **customer@onepath.com.au**

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