

Mercer SmartRetirement Income

1 April 2023

Other Things You Should Know



The information in this booklet forms part of the Product Disclosure Statement for Mercer SmartRetirement Income, in the Mercer Super Trust dated 1 April 2023.

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About this booklet

This Other Things You Should Know booklet (Booklet) provides important information about Mercer SmartRetirement Income (MSRI) in the Mercer Super Trust. This Booklet is incorporated into and forms part of the Product Disclosure Statement for Mercer SmartRetirement Income dated 1 April 2023 (PDS).

You should consider the information in the PDS, this Booklet, Sustainable Investments Information booklet date 1 April 2023 and the Investments booklet dated 1 April 2023 that are part of the PDS before making any decision about your pension.

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 Australian Financial Services Licence (AFSL) 235906 is the trustee of the Mercer Super Trust ABN 19 905 422 981. In this Booklet, MSAL is called the 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. Mercer Consulting (Australia) Pty Ltd ABN 55 153 168 140 (MCAPL) may provide advisory services.

MSAL, MOAPL, MIAL, MFAAPL and MCAPL 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, MCAPL or Mercer are not responsible for the issue of, or any statements in this Booklet, the PDS or the Investments booklet. They do not make any recommendation or provide any opinion regarding MSRI or an investment in the Mercer Super Trust.

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



Updated information

The information in this Booklet, the *PDS* and the *Investments* booklet (this is incorporated into and forms part of the PDS) may change.

You can get updated information that is not materially adverse at [mercersuper.com.au](https://www.mercersuper.com.au) or call the Helpline to request a copy of the information free of charge. Changes that are materially adverse will be advised to you as required by law. The Target Market Determination can be found at [mercersuper.com.au/TMD](https://www.mercersuper.com.au/TMD).

How to contact us

Helpline

Call the Helpline on **1800 671 369** or if calling from outside Australia on **61 3 8306 0906** from 8am to 7pm AEST Monday to Friday.

We can help you in a number of languages, simply ask for a translator when you call.

Online

mercersuper.com.au

After you join MSRI, we will send you your personal login. You will then be able to access information to help keep you up to date and informed about your pension in the Mercer Super Trust and other relevant information including:

- a welcome letter confirming your choices in MSRI
- 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 Mercer SmartRetirement Income over the year. You can get the Annual Report from **mercersuper.com.au** or you can request a hard copy free of charge from the Helpline
- Annual payment summary
- an annual member statement showing changes to your pension account
- investment updates and member communications to keep you informed
- notification of all material changes and the occurrence of significant events
- an exit statement if you leave MSRI, and
- access to a wealth of information and interactive planning tools at **mercersuper.com.au** (sign in using your personal login).

Our online tools include:

- up to date information on investment options
- information from our wealth education experts
- financial planning tools
- ability to update your contact details and communication preferences

Our website is available 24 hours per day, seven days per week; however, the website may not be available when we need to carry out scheduled updates or maintenance.

By mail

General correspondence and forms

Mercer Super Trust
GPO Box 4303
Melbourne VIC 3001

To write to the trustee

Mercer Superannuation (Australia) Limited
GPO Box 4303
Melbourne VIC 3001

Member Privacy

We collect, use and disclose personal information about you in order to manage your superannuation benefits and give you information about your super. Our Privacy Policy outlines the type of information we keep about you and how we, and any organisations we appoint to provide services on our behalf, will use this information. If you do not provide the personal information requested, we may not be able to manage your superannuation. You can read our Privacy Policy online at mercerc.com.au/privacy or you can obtain a copy by calling the Helpline.

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.



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 at **mercersuper.com.au** (sign in using your personal login) or call the Helpline.

If the law permits, we may send member communications to you electronically (including member statements and significant event notices) by:

- email
- SMS 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.

Important information

Unclaimed money

If we are unable to contact you for five years, your account will become unclaimed money and will be sent to the Australian Taxation Office (ATO).

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 contact the ATO directly to claim your money.

You will no longer be a member of the Mercer Super Trust or have any right to claim a benefit from the fund if your super is transferred to the ATO.

A confirmation letter will be issued to you if your benefit is paid to the ATO.

Unclaimed benefits - lost members

We may classify your account as unclaimed money and transfer your account balance to the ATO if:

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

You will no longer be a member of the Mercer Super Trust or have any right to claim a benefit through your Plan if your account balance is transferred to the ATO.

A confirmation letter will be issued to you if your benefit is paid to the ATO.

Refer to the ATO website ato.gov.au for more information.

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 Mercer SmartRetirement Income

may be used for the laundering of money or the financing of terrorism. Because of this, you may be asked to provide satisfactory proof of your identity to the trustee before you withdraw your benefit or begin your pension and to satisfy other legal requirements.

At a minimum, we need to collect your full name, date of birth and residential address. In regards to verifying information, we are only obligated to verify full name, and either date of birth or residential address. This can be achieved by supplying a certified copy of your driver's licence or passport. We may be unable to process your payment request without this information in an 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

Subject to relevant legislation, married and de facto couples may be able 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.

Under the Family Law Act, the trustee needs to provide certain information about a member's super payout 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 any person who intends to enter into a superannuation agreement with the member.

We may need to adjust your payout 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 payout.

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

Trustee powers and responsibilities

The trustee is responsible for:

- ensuring members' rights and best financial 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 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.

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 pension accounts.

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.

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 Mercer Super Trust include:

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

The governing rules of the Allocated Pension Division together with relevant laws and regulations set out the rules and procedures under which the Mercer Super Trust and MSRI operate and also sets out the trustee's duties and obligations to you. The governing rules are available at mercersuper.com.au/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.

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 MSRI 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 they survive you;
- in the event that you do not have a spouse at the time of your death, pay a lump sum equal to your account balance to your legal personal representative; or
- if you have no legal personal representative, 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 eligible Dependant 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,
- their 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 Mercer SmartRetirement Income*.

Remember, you can only make a Reversionary Beneficiary Nomination when you first join MSRI 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 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 Mercer SmartRetirement Income* 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.

There are two types of binding benefit death nominations:

- Lapsing death benefit nomination – this nomination expires after three years
- Non-lapsing death benefit nomination – this nomination does not expire; your nominated beneficiaries remain in place indefinitely, unless you change or revoke your 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 (in the case of a lapsing nomination only).

A Binding Death Benefit Nomination will be invalid if:

- it is not made using the *Making a Binding Death Benefit Nomination in Mercer SmartRetirement Income form*; or
- the *Making a Binding Death Benefit Nomination in Mercer SmartRetirement Income 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 people 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 pension to one or more of the persons nominated by you.

A Lapsing or Non-Lapsing Binding Death Benefit Nomination will cease to have effect if:

- three years have passed from the day you signed the *Making a Binding Death Benefit Nomination in Mercer SmartRetirement Income form* or re-confirmed that nomination (applicable only if you have made a Lapsing Binding Death Benefit Nomination); or
- you have revoked the nomination; 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.

Definition of dependants

Your Dependents* can include:

- your spouse as defined in the relevant legislation which generally includes
 - your husband or wife
 - another person (same sex or not) 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,
 - 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 Dependents are eligible to commence a reversionary pension:

1. The law only allows a reversionary pension to be paid to a Dependant who is a child of yours if the child:
 - is under age 18, or
 - is under age 25 and financially dependent on you, 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 you), the reversionary 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 you) and is not suffering a disability of a kind set down in law, then the trustee will pay a lump sum equal to your account balance to that child.

2. If your spouse or Dependant who is in receipt of a reversionary pension dies, a lump sum benefit equal to the pension balance 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 your legal personal representative receives a payout, it will be distributed according to your will, or if you don't have a will, according to the laws of the state in which you resided at the date of your death.

Tax and Centrelink

The rules at a glance....

Generally, no tax is payable on amounts transferred to a pension account in MSRI. 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 information in this section 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 MSRI.

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.

Note: The information below applies to amounts within the transfer balance cap. You can find information about the transfer balance cap in the PDS or at www.ato.gov.au.

How tax applies to amounts transferred to Mercer SmartRetirement Income

Generally you won't be taxed on any superannuation fund payments that are transferred into a pension account.

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 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.

A higher rate of tax 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 MSRI. For more information on the use of TFNs, call the ATO.

Tax on pension payments

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

If you are receiving a death benefit pension arising from the death of a person who had reached age 60, your pension payments will be tax free.

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 to start your pension.

For example, if you transfer an amount of \$200,000 into a pension 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

If you are receiving a death benefit pension, you pay no benefit tax on any lump sum payments.

Otherwise 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 \$230,000* of your taxable component and 15%^ tax on any amount over \$230,000. If you take your lump sum withdrawal before your preservation age, you pay benefit tax at 20%^ on your total taxable component.

* This limit is the 'low-rate threshold' applicable for 2022/23 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.

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

the assessment can generally be paid from your pension account 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.

If you have not previously 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 MSRI. 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 and transfer the required commuted amount into that account, invested in taxed investment option(s) equivalent to (or most closely matching) the untaxed investment option(s) in which your pension is invested.

Centrelink

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 pension account counts toward the asset test and deemed earnings on your balance count toward the income test.

The Federal Government's regulations relating to Centrelink 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 Centrelink and taxation matters.

