

6 April 2020

Temporarily reducing Pension and Annuity minimum drawdown rates

For many retirees, the significant losses in financial markets as a result of the COVID-19 crisis are having a negative effect on the account balance of their superannuation pension or annuity.

To assist retirees, the Government has reduced the minimum annual payment required for account-based pensions and annuities, allocated pensions and annuities and market-linked pensions and annuities by 50% in the 2019/20 and the 2020/21 financial years meaning retirees avoid the need of having to sell investments assets and realise losses in a depressed market.

This document explains your income options for 2019/20 and 2020/21. We have referred to the minimum income payment amount which applied before these government announcements as the 'Standard' minimum annual payment. We have referred to the new minimum income payment amount for 2019/20 and 2020/21 as the 'Reduced' minimum annual payment.

These changes apply to retirement income payments being received from the following Zurich products:

- Zurich Account-Based Pension
- Zurich Allocated Pension
- Zurich Term Allocated Pension

How are minimum payments determined?

Currently, recipients of these income streams are required to receive at least the minimum legislative payments each financial year. Minimum payments are determined by multiplying the account balance of the income streams as at 1 July of each year and the percentage factor.

The percentage factor is based on the age of the recipient as follows:

| Age | Standard minimum as a %age of account balance (FY13/14 to 18/19) | Reduced minimum as a %age of account balance (FY 19/20 and 20/21) |
|--------------------|---|--|
| 55-64 | 4% | 2% |
| 65-74 | 5% | 2.5% |
| 75-79 | 6% | 3% |
| 80-84 | 7% | 3.5% |
| 85-89 | 9% | 4.5% |
| 90-94 | 11% | 5.5% |
| 95 or older | 14% | 7% |

What does this mean for you?

The temporary reduction of the minimum annual percentage means that in this financial year, and the next, income stream recipients only have to draw 50% of the standard minimum income level.

What do you need to do?

If you are currently receiving pension payments calculated using the standard minimum percentage, or at a nominated amount above the minimum, and you are happy receiving the same amount, you do not need to do anything. For 2019/2020, Zurich will not change the way your pension payment is calculated without your prior notification.

If you wish to reduce your income payment during the 2019/20 financial year, simply complete and sign the *Change to income payment level for 2019/20 financial year* form and return by email to client.service@zurich.com.au. or by post to:

The Trustee
Zurich Master Superannuation Fund
Locked Bag 994
North Sydney NSW 2059

In reducing your regular income payment be aware:

- The Trustee has an obligation to ensure that, for the 2019/20 financial year, you must receive annualised income payments of at least the reduced minimum annual payment amount by 30 June 2020.
- In instances where you have requested a reduction to your income stream that will result in less than the Reduced minimum annual payment level being received, the Trustee will increase the remaining income payment by the amount required to ensure this requirement is met.
- Where you have requested a reduced minimum annual payment, unless the Trustee receives written notification from you to the contrary, income payments will revert to the Standard minimum payment in the 2021/22 financial year or such other time as the government announces the reduced minimum annual payment calculation no longer applies.

Will Zurich automatically reduce my income payments for 2020/21?

That depends. If you notified Zurich that you wanted to reduce your 2019/20 income payments to the reduced minimum annual payment, then Zurich will also automatically reduce your 2020/21 income payments to the reduced minimum annual payment.

However, if you had not instructed Zurich to reduce your 2019/20 income payments then your future income payments will continue to be calculated in accordance with your original instructions unless we receive your instructions to the contrary.

Case studies

When Carol (aged 68) commenced her Zurich Account-Based Pension plan, she asked that her income payments be calculated on the **standard minimum annual payment** amount. Her account balance at 1 July 2019 was \$320,000, giving her a minimum annual payment for 2019/20 of \$16,000 (ie $\$320,000 \times 5\%$). Carol receives monthly payments of \$1,333.33 ($\$16,000 / 12$).

Following the Government announcement in March 2020 that pensioners could temporarily reduce income payments, Carol provided Zurich with instructions that she did not want to receive any further income payments during the 2019/20 year as she had already received her **reduced minimum annual payment** (she had received 7 months $\times \$1,333 = \$9,331$).

For 2020/21, Zurich will calculate Carol's income payment assuming the **reduced minimum annual payment** as per the Government's announcement unless she provides Zurich with different instructions.

When Mike (aged 76) commenced his Zurich Account-Based Pension plan, he asked that his income payments be calculated on the **standard minimum annual payment** amount. His account balance at 1 July 2019 was \$560,000, giving him a minimum annual payment for 2019/20 of \$33,600 (ie $\$560,000 \times 6\%$). Mike receives monthly payments of \$2,800 ($\$33,600 / 12$).

Mike **did not** provide Zurich with instructions to reduce his income payment following the Government announcement in March 2020 so he continued to receive monthly income payments of \$2,800 for the balance of 2019/20.

For 2020/21, Zurich will calculate Mike's income payment assuming the **standard minimum annual payment** unless Mike provides Zurich with different instructions.

Further information

Of course if you have any questions about this announcement or if you need assistance in this regard, please contact either your financial adviser or Zurich Customer Care on 131 551. After all, we are here to help.

Important information: This publication is intended as general information only and does not take into account the personal investment objectives, financial situation or needs of any person. It is dated 6 April 2020, is based on Zurich's interpretation of the subject matter (some of which are proposals only), and includes information derived from sources believed to be accurate as at this date, which may be subject to change. It should not be considered to be a comprehensive statement on any matter and should not be relied on as such. Neither Zurich Australia Limited ABN 92 000 010 195 AFSL 232510 of 5 Blue Street North Sydney NSW 2060 (Zurich), or any of its related entities, employees or directors give any warranty of reliability or accuracy and do not accept any responsibility arising in any way including by reason of negligence for errors and omissions. Zurich recommends investors seek advice from appropriately qualified professionals. **Past performance is not reliable indicator of future performance.** GINN FVHHKJ.00012.ME.036 KDEG-015457-2020