

Important changes and information

What does the Federal Budget mean for you?

On 12 May 2015, the Abbott Government delivered its second Federal Budget. There are a number of announcements of which you should be aware, though there were no major changes to investments or superannuation.

The announcements in this Budget update are proposals unless stated otherwise. These proposals need to successfully pass through Parliament before becoming law and may be subject to change during this process. In this update we look at the Budget proposals that may impact investors and individuals planning for retirement.

Early access to superannuation for people with terminal medical condition from 1 July 2015

The Government has amended the provision for accessing superannuation for people suffering a terminal medical condition. This amendment will extend the life expectancy period from 12 months to 24 months.

Possible implications to consider

If an individual failed to obtain the required medical certification due to the restrictions of the 12-month rule, consider obtaining new medical certification. Whilst the change will allow earlier access to an individual's super it may not provide earlier access to any terminal insurance benefits as part of their super.

If you have insurance within your super, it is important to understand the terms and conditions. Consider maintaining some money in your super account to keep the account open and to pay insurance premiums. Withdrawing your full balance could result in the loss of valuable insurance cover. Refer to your financial adviser.

Changes to pension indexation abandoned

In last year's Budget, the Government proposed to change the indexation of pension payments to movements in the Consumer Price Index (CPI). This proposal is now abandoned.

Pensions will continue to be indexed in line with the higher of increases in CPI, male total average weekly earnings and the pensioner and beneficiary living cost index.

Government commitment to continue indexation and not reduce deeming thresholds

The Government has committed to continued indexation of the pension income test free areas and deeming thresholds. The Government also announced that they will not be proceeding with the reduction in the income test deeming rate thresholds as announced in the previous 2014/15 Budget.

Changes to pension asset thresholds and taper rate from 1 January 2017

The Government has legislated increases to the lower pension asset thresholds. However, the asset test taper rate increases from \$1.50 per fortnight for every \$1,000 above this threshold to \$3 per fortnight. This taper rate applied before 20 September 2007. Consequently, the upper asset thresholds reduce.

It is estimated that under the new rules:

- Around 50,000 part pensioners will qualify for a full pension.
- Approximately 91,000 part pensioners will no longer qualify for the pension and a further 235,000 will have their part pension reduced.

Those who no longer qualify for Age Pension because of the changes have guaranteed eligibility for the Commonwealth Seniors Health Card or the Health Care Card.

Tightening overseas absence rules and impact on certain payments, including the Age Pension from 1 January 2017.

The Government has proposed that recipients of the Age Pension, Wife Pension, Widow B Pension and Disability Support Pension (DSP) may have their entitlements decrease if absent overseas for more than 6 weeks (reduced from the current 26 weeks).

After 6 weeks' absence from Australia, pensioners who have lived in Australia for less than 35 years will be paid at a reduced rate proportional to their permanent residence in Australia between the age of 16 and pension age.

Pensioners absent on 1 January 2017 will not be affected by this change unless they return to Australia and make a subsequent trip overseas. The following pensioners will be exempt from these measures:

- Age Pensioners who have lived in Australia, as a permanent resident, for more than 35 years between the age of 16 and their pension age
- DSP recipients who are terminally ill or severely impaired
- Certain Widow B Pension recipients
- Certain Wife Pension recipients.

Possible implications to consider

If you're an Age Pensioner and take an overseas holiday post retirement, you should understand the impact to your entitlements if you are intending to be overseas for more than 6 weeks.

If you have any questions or concerns about how these or any other Budget proposals could affect you and your family, visit www.budget.gov.au or onepath.com.au or speak to your financial adviser.

The information contained within this publication is believed to be current as at the time of publication but no guarantee is provided. Changes in Government policy and legislation may dramatically alter the information provided. Any financial product advice or information provided in this publication is of a general nature only and does not take into account your personal objectives, financial situation or needs. You should consider whether this information is appropriate for you, and speak to your financial adviser and taxation adviser prior to making any financial decisions. Examples shown are for illustrative purposes only.

Standard Risk Measure

Since 2013 we have adopted the Standard Risk Measure which is based on the industry best practice guidelines to allow investors to compare investment funds that are expected to deliver a similar number of negative annual returns over any 20-year period.

The Standard Risk Measure is not a complete assessment of all forms of investment risk, for instance it does not detail what the size of a negative return could be or the potential for a positive return to be less than an investor may require to meet their objectives.

Further, it does not take into account the impact of administration fees and tax on the likelihood of a negative return. Investors should still ensure they are comfortable with the risks and potential losses associated with their chosen investment fund(s).

Risk Band	Risk Label	Estimated number of negative annual returns over any 20 year period
1	Very low	Less than 0.5
2	Low	0.5 to less than 1
3	Low to medium	1 to less than 2
4	Medium	2 to less than 3
5	Medium to high	3 to less than 4
6	High	4 to less than 6
7	Very high	6 or greater

For further information, refer to our website at onepath.com.au/personal/performance/product-updates.aspx

Updated Standard Risk Measures

Option Name	Risk Band	Risk Label
OnePath Diversified Fixed Interest	2	Low

Changes to strategic asset allocation for Perpetual Funds

Perpetual has made some changes to the strategic asset allocations (SAA) of its diversified funds.

The following funds (referred to collectively as 'the Funds') are impacted:

- Perpetual Conservative Growth
- Perpetual Balanced Growth

The changes to the Funds' strategic asset allocation became effective in May 2014.

Strategic asset allocation changes

Perpetual Conservative Growth				
Asset Class [†]	Previous		New – effective May 2014	
	Benchmark (%)	Range (%)	Benchmark (%)	Range (%)
Cash and enhanced cash*	34	15 – 45	33	15 – 45
Fixed Income	30	15 – 55	30	15 – 55
Property	3	0 – 10	5.5	0 – 10
Australian shares [†]	11	0 – 25	11	0 – 25
International shares [†]	9	0 – 20	9	0 – 20
Alternative assets [‡]	13	0 – 30	11.5	0 – 30

Perpetual Balanced Growth				
Asset Class [†]	Previous		New – effective May 2014	
	Benchmark (%)	Range (%)	Benchmark (%)	Range (%)
Cash and enhanced cash*	12	0 – 30	15	0 – 30
Fixed Income	10	0 – 35	10	0 – 35
Property	3	0 – 15	5.5	0 – 15
Australian shares [†]	27	10 – 50	27	10 – 50
International shares [†]	27	10 – 50	27	10 – 50
Alternative assets [‡]	21	0 – 30	15.5	0 – 30

* This fund may invest in enhanced cash funds that allow gearing.

† The fund may gain its exposure to Australian shares by investing in one or more underlying Australian share funds. Where the fund invests in the Perpetual Australian Share Fund, that underlying fund invests primarily in Australian listed or soon to be listed shares but may have up to 20% exposure to stocks outside Australia. The investment guidelines showing the fund's maximum investment in international shares do not include this potential additional exposure. Underlying Australian share funds may use short positions as part of their investment strategy. Currency hedges may be used from time to time.

‡ Perpetual may allocate up to 30% of the portfolio to other assets which may include, but is not limited to, infrastructure, mortgages (including mezzanine mortgages), private equity, opportunistic property, absolute return funds, commodities and real return strategies. Exposure to other assets aims to enhance the fund's diversification and may reduce volatility.

Performance benchmark changes

The performance benchmarks for certain investment funds have changed.

What has changed?

On 29 September 2014, all UBS Australia bond indices were acquired by the global and independent index provider Bloomberg Indexes (Bloomberg). As a result, the performance benchmarks for the funds listed in the following table (Funds) have changed names and will now be calculated, maintained and licensed by Bloomberg.

The changes became effective on 29 September 2014.

In addition, the performance benchmark for the OnePath Global Property Securities Fund will change as detailed in the table below.

What is the impact of the changes to the performance benchmarks?

There is minimal impact to the Funds as a result of Bloomberg's acquisition of the UBS Australia bond indices. Other than the change of name, the main change is that the performance benchmarks are now based on Bloomberg's pricing system, the Bloomberg Valuation Service, instead of the pricing used by UBS.

There will be minimal impact to the OnePath Global Property Securities Fund as a result of the performance benchmark change, other than the change of name. The Fund will still use the most comparable index.

The old and new names of the performance benchmarks are outlined in the table below.

Fund	Previous Index	New Index
OnePath Alternatives Growth	UBS Bank Bill Index**	Bloomberg AusBond Bank Bill Index
OnePath Cash	UBS Bank Bill Index	Bloomberg AusBond Bank Bill Index
OnePath Diversified Fixed Interest	UBS Composite Bond Index (0+Yr)	Bloomberg AusBond Composite 0+ Yr Index
OnePath Global Property Securities*	UBS Global Real Estate Investors (ex-Australia) Net Total Return Index (hedged to the Australian dollar)	FTSE EPRA/NAREIT Developed Rental ex Australia Net Total Return Index hedged to Australian Dollars
OnePath Mortgages	UBS Bank Bill Index	Bloomberg AusBond Bank Bill Index
OptiMix Australian Fixed Interest	UBS Composite Bond Index (All Maturities)	Bloomberg AusBond Composite (All Maturities) Index
UBS Diversified Fixed Income	50% Barclays Capital Global Aggregate Index (A\$ hedged), 50% UBS Australian Composite Bond Index All Maturities	50% Barclays Capital Global Aggregate Index (A\$ Hedged), 50% Bloomberg AusBond Composite (All Maturities) Index

* The performance benchmark for this Fund was not acquired by Bloomberg. The change to the performance benchmark took effect from 31 March 2015.

**Previously referred to as the 'UBS Australian Bank Bill Index' in the Continuous Disclosure Notice – Performance Benchmark Changes – February 2015

Annual statements for super – additional explanatory notes

The following explanatory notes are to be read together with your 2015 Annual Statement for your super account. If you have any further questions about your Annual Statement, please speak to your financial adviser or call Customer Services.

Contributions tax

Contributions tax of 15% will apply to any contributions that you claim as a personal tax deduction (subject to a valid 'Notice of intent to claim a tax deduction' form) or contributions made by your employer (including salary sacrifice contributions).

In calculating the amount of tax payable we may make allowance for deductions available to the fund on transactions such as the payment of insurance premiums.

If you are claiming a tax deduction for personal contributions that you made in the Annual Statement period, the related contributions tax will only appear in the Annual Statement if we received your 'Notice of intent to claim a tax deduction' form by the date requested and the notice has been acknowledged by the Trustee.

Tax at a rate of 15% also applies to the untaxed element of a rollover superannuation benefit and certain foreign super fund transfers. The tax payable is shown on your Annual Statement.

Additional tax for high income earners (Division 293 tax)

An additional 15% tax may apply to certain concessional contributions if your adjusted taxable income exceeds \$300,000. For further information please visit ato.gov.au or speak to your adviser.

Preservation status

Unrestricted Non-Preserved Benefit is the amount of the withdrawal benefit at the close of the reporting period that you can access at any time.

Restricted Non-Preserved Benefit is the amount of the withdrawal benefit at the close of the reporting period that you can access, if you leave an employer who has contributed to this fund on your behalf, or when preserved benefits are payable.

Preserved Benefit is the amount of withdrawal benefit at the close of the reporting period required to be preserved by the Trust Deed and super legislation governing your benefits. Generally, you cannot access this amount until age 65, or once you have reached your preservation age (between age 55 and 60, depending on your date of birth) and you have retired.

The total of the preservation components is net of withdrawal fees and contributions tax payable on contributions that were made up to the end of the reporting period. Please note: where 'no-TFN contributions tax' is payable, the total of the preservation components will differ to the withdrawal amount as 'no-TFN contributions tax' payable is deducted from the withdrawal amount and not from the preservation components.

Super Guarantee (SG) Allocation

The Super Guarantee Allocation is the amount of employee entitlement paid by the Australian Taxation Office (ATO) representing a superannuation guarantee shortfall and any interest for the shortfall. This amount includes the 9.5% (for 2014/15) obligation and any interest earned. The Super Guarantee Allocation may appear on your Annual Statement as either an addition or deduction. An addition represents a payment from the ATO into your account and a deduction may be the correction of a payment received to your account or the recovery of an overpaid Super Guarantee Allocation by the ATO. This Super Guarantee Allocation amount is determined by the ATO, so you should speak to your financial adviser or contact the ATO in relation to the amount paid.

Government contribution

Government contributions can include Government co-contribution and Low Income Super Contribution (LISC). The Government co-contribution is an incentive from the Australian Government designed to assist eligible individuals to save for their retirement. If you are working, your income is less than the prescribed threshold and you made a personal non-concessional contribution to super in 2014/15, you may be eligible for a Government co-contribution. Generally, the maximum co-contribution is \$500 and reduces once your income exceeds the relevant threshold. Additional criteria must be satisfied to be eligible for the Government co-contribution.

The Low Income Super Contribution (LISC) effectively returns any tax paid (up to \$500) on concessional contributions made in a financial year for a low income earner (an individual with an adjusted taxable income of \$37,000 or less in an income year).

The co-contribution may appear on your statement as either an addition or deduction. An addition represents a payment from the ATO into your account and a deduction may be the correction of a payment received to your account or the recovery of an overpaid co-contribution by the ATO. Conditions apply, so you should speak to your financial adviser or contact the ATO in relation to the amount paid.

Australian Prudential Regulation Authority (APRA) levy

In 2013, the Federal Government increased the APRA Levy (Levy) paid annually by all APRA regulated superannuation funds. We wish to notify you that OnePath Custodians Pty Limited (Trustee) has now recovered this year's Levy from member accounts.

The amount of the Levy is set to recover the general operational costs of APRA, and will also assist with the implementation of the Government's 'SuperStream' reforms. These reforms are designed to support the superannuation system to operate more efficiently for the benefit of members.

The Levy is an expense to the OnePath MasterFund and is applied each year. The component of the Levy related to SuperStream will cease in 2018.

What does this mean for you?

The Trustee recovers the Levy by deducting it from the unit price of each investment option (excluding cash, term deposits and guaranteed products).

The recovery for the year ending 30 June 2015 occurred on, or around, 28 May 2015. It is estimated the impact on members was 0.01% of unitheld investment options. For example, a member with a balance of \$50,000 will pay \$5.00.

Looking forward to the 2015-16 financial year, the Australian Government is considering collecting the SuperStream component of the levies on a member basis rather than a percentage of a superannuation entity's assets.

What do you need to do?

You do not need to do anything, the Levy and unit price adjustment has already been recovered for the 2014/15 year and we will notify you of the changes made for 2015/16 by the Australian Government, if any.

Your annual report is available online

In line with ANZ's ongoing commitment to reducing our impact on the environment, your Annual Report will be available online in December 2015 at onepath.com.au > Personal > Forms & brochures > Find a form or brochure or anz.com > Personal > Investing & Super > Resources

Changes to dishonoured cheque processing procedure

In response to the declining usage of cheques, the Australian Payments Clearing Association has mandated that banks switch from paper to electronic image exchange as the mechanism to manage cheque payments.

As a result, if dishonoured, the physical cheque will no longer be returned to the customer. The customer will now receive a letter that contains an image of the dishonoured cheque. The new process is effective from 25 May 2015.

As a result of the physical cheque not being returned, the cheque re-presentation process can no longer be supported, and has been removed from ANZ's operating procedures.

Member stronger super levy

To cover some of the costs incurred to comply with the Government's 'Stronger Super' reforms and in line with many other super funds, the Trustee has approved an asset-based levy to be applied against the investments of OnePath MasterFund members in the 2015/16 financial year.

The levy will be a percentage based charge on unithised investment options estimated to be no greater than 0.06%, and applied as a one-time adjustment to the daily unit price. We will confirm the actual charge deducted in the next Member Update.

Reminder for members of Non-OnePath Life insured plans

The Trustee takes this opportunity to remind members that where their insurance cover is provided with a non-OnePath Life insurer, that, upon leaving their employer, their cover will not automatically continue upon delinking from their employer plan and accordingly, they must effect a Continuation Option with the non-OnePath Life insurer within 60 days of ceasing employment. Alternatively, members are able to apply for new cover with OnePath Life Limited. For more information, please refer to the Product Disclosure Statement (PDS) you received when you joined your employer's super plan or call Customer Services.

Qualifying recognised overseas Pension Scheme changes

Her Majesty's Revenue & Customs (HMRC) has recently advised of changes in UK pension laws that impact how Qualifying Recognised Overseas Pension Schemes (QROPS), like the OnePath MasterFund, can retain their qualifying status.

From 6 April 2015, the changes mean that recognised overseas pension schemes have to ensure that pension benefits payable to the member are not payable before the member reaches normal minimum pension age unless the ill-health condition is met.

Unfortunately, the UK requirements may not be compatible with Australian superannuation law relating to the release of superannuation monies. As a result, at the time of publication, the OnePath MasterFund is no longer accepting transfers of monies from UK pension schemes.

HMRC has confirmed that members who transferred pension savings into the OnePath MasterFund prior to 6 April 2015 will remain subject to UK tax on the same basis as if the scheme had retained its qualifying status. They will be able to remain as members and receive a pension paid from the benefits transferred without automatically incurring additional UK tax charges.

ANZ Wealth continues to work with industry bodies and Government who are consulting with HMRC to determine if an exception from the UK requirement can be made available for Australian superannuation funds so they can retain their qualifying status. Further information, when available, will be advised via our website.

Check your insurance details

Check your insurance cover to ensure your employer has set up your insurance cover correctly, including: occupation, age, salary (if applicable), gender, types of insurance and sum insured.

Customer service



1800 627 625 weekdays from 8.30am and 8pm (AEST)



corpsuper@onepath.com.au

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Except as described in the relevant Product Disclosure Statement (PDS), an investment with the issuer is not a deposit or other liability of ANZ or its related group companies and none of them stands behind or guarantees the issuer or the capital or performance of an investment. An investment is subject to investment risk, including possible repayment delays and loss of income and principal invested.

This information is current as at June 2015 but may be subject to change. Updated information will be available free of charge by contacting Customer Services on 1800 627 625. Taxation law is complex and this information has been prepared as a guide only and does not represent taxation advice. Please see your tax adviser for independent tax advice.

The information is of a general nature and does not take into account an investor's personal needs, financial circumstances or objectives. Before acting on this information, an investor should consider the appropriateness of the information, having regard to their needs, financial circumstances and objectives. An investor should read the relevant PDS and any product updates available at onepath.com.au and consider whether that particular product is right for them before making a decision to acquire or continue to hold the product.