



IOOF Pursuit fact sheet 108

Key words explained for allocated pensions

If you find some of the terms used in the PDS and/or fact sheets difficult to understand, don't worry. This fact sheet helps to explain some of these key terms that arise along the way. If you require further information or explanation of a term not covered in this fact sheet, please contact our client services team on 1800 062 963.

Additional Administration Fee	The additional fee of up to 0.98 per cent pa (of each contribution made to your allocated pension account) which will be deducted from your account for the balance of the original deferred entry fee period (subject to a maximum of five years).
Administration Fee	The fee charged by the Trustee to cover the general administration of the Fund.
Allocated pension (also known as an account-based pension)	A pension arrangement where a person regularly draws down an amount from that account within prescribed limits set by the Commonwealth Government. The pension will continue until death, commutation or until the pension account is exhausted.
AML/CTF Law	<i>Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth)</i> , and all sub-ordinate legislation in respect of that Act, as amended from time to time.
Approved Deposit Fund (ADF)	A concessional tax investment fund for super monies.
Australian Financial Services Licence (AFS Licence)	A licence issued by ASIC under the <i>Corporations Act 2001</i> which among other things, permits the issuing of a financial product or the giving of financial advice.
Benefit	The amount of money in your account to which you (or in the event of your death, your dependant(s) and/or Legal Personal Representative) are entitled to be paid in relevant circumstances.
Binding Nomination	A written direction to us which, if valid and in effect, binds us to pay your benefit to the dependant(s) and/or Legal Personal Representative that you have nominated in the event of your death.
Business day	A day other than a Saturday, Sunday or a public holiday in Melbourne.
Buy/sell spread	The difference between the entry price and exit price of a managed fund. This difference is an allowance for the transaction costs incurred when buying or selling units in a managed fund. These amounts are not charged separately to your account but are generally included in the unit prices of each managed fund.
Capital gains tax (CGT)	A tax applied on the increase in the value of an investment that may be payable upon the disposal of the investment. CGT does not apply to investment options redeemed in a pension account.
Certified copy	A document that has been certified to be a true and complete copy of the original, by a person authorised to witness the signing of a statutory declaration under applicable Commonwealth or State legislation.
Concessional contributions	Employer and tax deductible personal contributions. The Government sets an annual cap on the amount of concessional contributions that can be made to your super each year. The cap on concessional contributions and the tax penalties that apply if you breach the cap are set out in IOOF Pursuit fact sheet 107: Taxation information relating to allocated pensions .

Consumer price index (CPI)	The CPI is the most common method of measuring the rate of inflation. It is based on a measure of the quarterly changes in the prices of a basket of goods and services which account for a high proportion of representative expenditure of metropolitan households. The CPI is published by the Australian Bureau of Statistics.
Condition of release	These are restrictions placed on super funds for how and when preserved benefits can be paid. A condition of release must be met before a benefit is paid. The following conditions of release have no cashing restrictions: <ul style="list-style-type: none"> • retirement • reaching age 65 • reaching preservation age and permanently retired • death • permanent incapacity • termination of employment and the benefit is less than \$200 • terminal illness.
Contribution	Represents any amount that is a concessional or non-concessional contribution, directed termination payment or transfer to your account.
Cooling-off period	The period of time during which members are able to cancel their application for an account and receive a refund (if applicable), less permissible deductions.
Death Benefits Dependant	When paying a Death Benefit, a dependant (for tax purposes) means: <ul style="list-style-type: none"> • a spouse • children under age 18 (including a natural child, stepchild, adopted child or child of your spouse) • a person who is partially or wholly financially dependent on you at the date of death • a person with whom you have an interdependency relationship at the date of death.
Dependant	A dependant (for super purposes) means: <ul style="list-style-type: none"> • the spouse of the member • any child of the member (including a child over 18) - a child includes a natural child, ex-nuptial child, stepchild, adopted child or child of your spouse • a person who is partly or wholly financially dependent on the member at the date of death • a person with whom the member has an interdependency relationship at the date of death.
Derivatives	Contracts that call for money to change hands at some future date, where the amount depends on, or is derived from, another security, liability or index. For example a contract might specify that one person can buy an item from the other at today's price in six months' time, regardless of the market price at that time.
Directed termination payment	A payment into your account of a transitional employment termination payment. Contributions tax (maximum rate of 15 per cent) is payable on the taxable component. You must have been entitled to the employment termination payment as at 9 May 2006 under a written contract, an Australian or foreign law or a workplace agreement under the <i>Workplace Relations Act 1996</i> . From 1 July 2012 employment termination payments cannot be directed into super at all.
Employment termination payment	A lump sum payment that is not a super benefit or certain other specified payment (such as unused annual leave or genuine redundancy) made from an employer to you as a result of the termination of your employment. Other than those made under transitional arrangements ceasing on 1 July 2012, an employment termination payment cannot normally be transferred to a super fund.
Eligible rollover fund	An eligible rollover fund (ERF) is a special type of public offer super fund that accepts member benefits from other super funds for people who may have been lost by that fund or are no longer eligible for membership of that fund.
Equivalent pension	A pension which meets the Commonwealth Government pension and annuity standards as set out in the <i>Superannuation Industry (Supervision) Regulations 1994</i> .
Financial institution	A bank, building society or credit union.

Fixed term	The fixed term for a term allocated pension is the number of years originally selected by the primary beneficiary over which the pension is to be paid.
Fund	IOOF Portfolio Service Superannuation Fund (ABN 70 815 369 818)
Goods and Services Tax (GST)	A tax on the supply of goods and services.
High yielding securities	High yielding securities are investments in non-traditional debt assets that generally earn higher interest than traditional fixed interest securities. These securities may provide higher returns as they are generally regarded as being less secure than traditional fixed interest securities. As a result, there is potential for higher volatility and lower liquidity.
Income stream	A series of payments provided by a pension or annuity product which is used to meet a person's income needs in retirement.
Initial contribution	Represents all contributions and/or transfers made to your pension account in order to commence an IOOF Portfolio Service pension.
Interdependency relationship	An interdependency relationship may exist between two people if they live together in a close personal relationship and one or each of them provides the other with financial and domestic support and personal care. This may include a parent or sibling with whom you live. An interdependency relationship may still exist between two people if they have a close personal relationship but do not live together because either or both of them suffer from a physical, intellectual or psychiatric disability.
Legal Personal Representative	The executor of your will or the administrator of your estate.
Mandated employer contributions	Superannuation Guarantee contributions (up to age 70) and employer contributions under an award or industrial agreement.
Member Statement	An annual statement of your account, including a transactions summary for the financial year and other prescribed information.
Non-Binding Nomination	A nomination of preferred dependant(s) may assist us to determine whom to pay your benefit to in the event of your death. We are not bound by this nomination.
Non-concessional contributions	These are personal contributions and spouse contributions which are not tax deductible. The Commonwealth Government sets an annual cap on the amount of non-concessional contributions that can be made to your account. Some personal contributions, such as those attributable to the sale of small business assets up to the lifetime limit of \$1,205,000 and those derived from personal injury compensation payments may be exempt from the cap. For the cap on these contributions and tax penalties that apply if you breach the cap, see the relevant fact sheet.
PAYG	Pay As You Go withholding tax.
Pension product	Includes allocated pension and term allocated pension.
Pensions	Pensions are provided by super funds and are established for the purpose of paying an income in retirement.
Permanently incapacitated	Ill-health (whether physical or mental) where we are reasonably satisfied that the member is unlikely, because of the ill-health, to engage in gainful employment for which the member is reasonably qualified by education, training or experience.
Portfolio	The mix and composition of an investor's holdings among different asset classes (or if in a single asset class, between different sectors and securities).
Preservation age	The age at which retired individuals can access their super. A person's preservation age will be between ages 55 and 60, depending on their date of birth. If you are currently under age 40 your preservation age is 60.

Preserved benefits	These benefits must generally be retained in the super system until you permanently retire from the workforce on or after reaching your preservation age. Preserved benefits can also be paid out on leaving employment after age 60, reaching age 65, under a transition to retirement pension, death, permanent incapacity, on severe financial hardship grounds or on compassionate grounds approved by the Australian Prudential Regulation Authority (APRA). They may also be paid out to satisfy a release authority from the ATO.
Primary beneficiary	The person who originally commenced the term allocated pension.
Reduced input tax credits (RITC)	Refers to a portion of the GST that can be claimed back from the ATO in certain circumstances.
Release authority	An authority issued by the ATO specifying an amount to be released from the Fund in order to pay tax on contributions that exceed the annual caps.
Restricted investment	An illiquid investment for the purposes of super law relating to the portability of members' benefits. Illiquid investments are assets which either cannot be readily realised within 30 days, or where realising those assets within 30 days would have an adverse impact on their value.
Restricted non-preserved benefits	These benefits can be accessed on the same grounds that apply for preserved benefits. Also, where you terminate your employment with an employer who had, at any time, contributed to the super fund on your behalf, your restricted non-preserved benefits become unrestricted non-preserved benefits.
Reversionary beneficiary	The person nominated by the primary beneficiary to continue the pension after the death of the primary beneficiary.
Salary sacrifice	An arrangement with an employer for an employee to 'give up' a portion of the employee's pre-tax salary in exchange for additional contributions by the employer to the employee's super.
Spouse	This could be: <ul style="list-style-type: none"> • your married husband or wife • a person with whom you have a relationship registered under State or Territory law • a person with whom you live on a genuine domestic basis in a relationship as a couple. A spouse includes an opposite-sex or a same-sex de facto partner.
Super law	Includes the <i>Superannuation Industry (Supervision) Act 1993</i> , <i>Corporations Act 2001</i> , <i>Income Tax Assessment Act 1997</i> and associated regulations.
Super product	Includes personal super, corporate super and employer super within the Fund.
Super fund	A complying fund whose trustee has elected that the fund be regulated by the <i>Superannuation Industry (Supervision) Act 1993</i> .
Switching	The movement of monies between investment options (such as managed funds and/or listed securities) and/or between the Cash Account and investment options. Switches between managed fund investment options are processed as a redemption of units from one managed fund and the purchase of units in another managed fund from the available investment list. Switches between listed securities involve the sale of a listed security and the purchase of another listed security.
Taxable component	Tax is payable on the component of your benefits that is not included in the tax-free component.
Tax-free component	Tax is not payable on this component of your benefits. The tax-free percentage of a pension is determined on commencement of the pension and applies to all payments made thereafter (lump sum or pension). Tax is not payable on the following components of a lump sum: <ul style="list-style-type: none"> • any non-concessional contributions plus any Government co-contributions made to the super account from 1 July 2007 • tax-free components previously transferred into the super account.
Term allocated pension (TAP)	A complying pension that is also known as a market-linked pension or growth pension and which is paid for a fixed term. Commonwealth Government regulations specify the rules for calculating the fixed term. Access to capital is not allowed except in very limited circumstances.

Terminally ill or Terminal illness	Two medical practitioners (one of whom is a specialist in the relevant illness or injury) certify that you suffer from an illness or have incurred an injury that is likely to result in death within a period of 12 months after the date of the certificate (and the period of 12 months has not yet expired).
Transfer/rollover	A lump sum paid within the super environment between super funds, between super products or into an income stream.
Transition to retirement (TTR) pension option	A pension that enables persons who have reached their preservation age (at least age 55 depending on their date of birth) to transfer their preserved benefits, restricted non-preserved benefits and unrestricted non-preserved benefits into an income stream while continuing to work. An income stream using a TTR pension option will generally be non-commutable and have restrictions on when withdrawals can be made.
Trust Deed	The legal document governing the Fund and its operation. A trustee must comply with its trust deed.
Unrestricted non-preserved benefits	These benefits may be paid to you at any time without a change in your employment status.
Withdrawal	A payment made to you or for your benefit from your super fund after allowing for taxes, fees and charges (if any). The payment can be made to another super fund or taken in the form of a lump sum cash payment. Cash withdrawals are only permitted in certain limited circumstances under the transition to retirement pension option.

General advice warning

The information contained in this fact sheet:

- does not and is not intended to contain any recommendations, statements of opinion or advice
- is of a general nature only and does not take into account your individual objectives, financial situation or needs.

You should consider the appropriateness of this information having regard to your objectives, financial situation and needs and you may want to seek advice before deciding whether to acquire this product.

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