



Hunter United
Pension Fund
Retirement Savings Account (RSA)

Product Disclosure Statement (PDS)
– Account Based Pension
1 March 2015

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Read this

This PDS provides a summary of the key information you need to make a decision. It also includes links to important information that is part of this PDS marked with a **i**. **You should read all of this information before making a decision to invest in this product.**

The information in this document is general information only and doesn't take into account your personal financial situation or needs. You may wish to consult a licensed financial adviser to obtain financial advice that is tailored to suit your personal circumstances.

1. About the Hunter United Pension Fund

About Account Based Pensions

The Hunter United Pension Fund (Pension Fund) is a complying account based pension and offers a transition to retirement pension option (see below).

Account based pensions are designed to convert your accumulated superannuation into a tax effective income stream – your own pension. This income is automatically paid periodically into your nominated account. The amount drawn down can vary from year to year to suit your circumstances, subject to a minimum annual draw down amount in any one year (see section 2 for details).

Transition to Retirement

Legislation allows for people who have reached preservation age to rollover their superannuation into a non-commutable income stream while continuing to work. This is known as “transition to retirement”. Lump sum withdrawals are not allowed on a non-commutable Income stream.

We cater for the transition to retirement option i.e. you can take up our Pension Fund before you permanently leave the workforce provided you meet certain conditions. Under transition to retirement rules, your pension has a maximum drawdown limit of 10% of the account balance in any one financial year.

The Australian Government provides a range of incentives for people to be self sufficient in retirement. Tax concessions generally make account based pensions one of the best vehicles for investing and receiving a retirement income stream (see section 8). Unlike superannuation, the Pension Fund’s earnings are not taxed thereby delivering higher net returns to you.

Another key feature of account based pensions is that they do not tie up your capital. In addition to your regular draw down you can make lump sum withdrawals (not available if you are invested in the transition to retirement option), although this may have implications for your Centrelink entitlements. Finally, your money can be withdrawn and reinvested elsewhere without incurring high exit costs (see section 6).

About Hunter United

Hunter United commenced life in 1963 as the BHP (Newcastle) Employees’ Credit Union, and has progressively grown into a community based financial institution serving the Hunter Valley.

Hunter United operates a complying account based pension and retirement savings account (RSA) under its Australian Financial Services Licence (AFSL 238316).

Hunter United has seven branches across the region including Broadmeadow, Charlestown, Glendale, Jesmond, Marketown East, Green Hills (East Maitland) and Mayfield. Hunter United offers banking, insurance and retirement savings services.

We specialise in providing value for money financial services to our customers including savings, loans, credit cards and investment services*.

Unlike listed companies, Hunter United is not driven by big profits for shareholders - it is our job to deliver great service and benefits to our customers. That’s how we can offer very competitive rates to our borrowers and investors and keep fees low.

Hunter United is a responsible and conservative lender. More than 70% of our assets as at 30 June 2014, are in the form of loans to members with the vast majority (93%) of these loans being secured by a registered first mortgage over residential properties. 76.2% of these mortgage loans have a loan to valuation ratio of <80%. Loans with higher loan to valuation ratio's are typically mortgage insured (i.e. the risk of these loans not being repaid is insured by a third party).

Our liquid investments are all held in cash type investments with Australian banks and other Authorised Deposit-Taking Institutions (ADI's). These investments, by their nature, are short term and can be converted into cash within 48 hours. We do not invest in speculative or high-risk investments.

Hunter United operates in accordance with the Banking Act (1959), the Corporations Act (2001) and the Retirement Savings Accounts Act (1997), is an authorised deposit-taking institution (ADI) and is supervised by the Australian Prudential Regulatory Authority (APRA). We meet and exceed the Australian prudential standards set for banks, building societies and credit unions. **Customer deposit balances at Hunter United up to \$250,000, are guaranteed by the Australian Government.**

**Products issued by Hunter United Employees' Credit Union Ltd. You should obtain and consider the relevant PDS prior to deciding whether or not to acquire the product.*

2. How our Pension Fund works

Purchasing your Pension

An Account Based Pension can only be purchased with savings accumulated in superannuation benefits. These can be rolled over from another Hunter United superannuation product or from another superannuation fund. After your initial purchase, any other superannuation benefits that you wish to rollover must be invested in a separate account based pension. It is therefore common place that superannuation balances are consolidated prior to opening an account based pension. The Hunter United Super Fund is ideal for this purpose as there is no entry cost and low exit fee provided the entire balance is rolled into a Hunter United Account Based Pension. For further details, refer to Hunter United Super Fund PDS.

An individual's eligibility to rollover superannuation funds into the Hunter United Pension Fund is summarised below:

- You have access to your super as you have reached your preservation age and have retired permanently from the workforce with the intention of never returning to work; or
- You are aged 65 or over and are still working; or
- You have reached your preservation age and have selected the "Transition to Retirement" option; or
- You are totally and permanently disabled (assuming conditions of release are met as required by legislation).

A minimum of \$30,000 in superannuation funds is required to open a Hunter United Pension Fund account (our minimum investment amount).

How your money is invested

The Hunter United Pension Fund is a cash-based investment, managed by Hunter United. The Pension Fund is capital guaranteed meaning that your investment is

protected from negative investment earnings.

Your investment will attract a variable and/or fixed rate of interest in accordance with your nominated option (see section 5).

Receiving and accessing your Pension

We will request your instruction each July as to how much income you wish to draw down for the next financial year, and how frequently you wish to receive the payments (monthly, quarterly, semi-annually or annually). Minimum annual payments are determined by your age and the balance of your account at 1 July each year. The current minimum annual draw down amounts (age based pension factors) are outlined in the following table. These age based pension factors are current at the date of this PDS but are reviewed by the Australian Government from time to time. If you have chosen the transition to retirement option there is also a maximum allowed draw down of 10% of your balance (as at 1 July each year).

Age	Minimum Annual Payment*
Under 65	4%
65 - 74	5%
75 - 79	6%
80 - 84	7%
85 - 89	9%
90 - 94	11%
95 or more	14%

**These percentages are applied to your balance on 1 July each year to determine the minimum payments. The minimum annual payment amounts are subject to variation by the Australian Government.*

NB: If you invest your super in the Hunter United Pension Fund in June there is no minimum drawdown amount in that financial year.

The Hunter United Pension Fund will make regular payments (monthly, quarterly, semi-annually or annually) either directly into your linked Hunter United transaction account or another nominated account with a Bank or ADI operating in Australia.

Annual statements will be issued. **The balance of your Hunter United Pension Fund can also be viewed via our secure “internet banking” service (available to Hunter United members only).**

Lump sum withdrawals

Lump sum withdrawals (i.e. withdrawals over and above your regular draw down payment) can be requested by completing a withdrawal form available from www.hunterunited.com.au. These requests are typically processed within three (3) business days to your nominated Australian account. Lump sum withdrawals can have potential implications for your Centrelink entitlements and independent professional advice should be sought prior to requesting a lump sum withdrawal. Lump sum withdrawals are not available on transition to retirement pensions.

No forfeiture of investment

If you die while a balance remains in your pension account, your remaining balance will be passed to your dependents or estate (and is not forfeited). If you nominate your spouse or any other eligible dependent (such as your child) to be a reversionary pensioner, your pension payments will revert to that person when you die.

We recommend you maintain a Will which references your pension.

Minimum account balance

The minimum opening investment amount is \$30,000. After you have started receiving regular pension payments from us the minimum account balance you can have is \$2,000. Once you fall below this minimum amount we will close your account and pay the remaining balance (after fees and taxes) to your nominated account.

Insurance cover

If you have existing death or death and total and permanent disablement (TPD) cover with your RSA Super Fund, you can apply to purchase an individual death only term life policy from TAL when you transfer to a pension fund.

3. Benefits of our Pension Fund

The Hunter United Pension Fund provides you with a secure, low cost and tax effective retirement income stream because we offer:

- a capital guarantee - your investment is protected from negative returns;
- choice of a variable and fixed term interest rate;
- no entry fees;
- no management fees;
- low ongoing fees;
- low exit fees;
- easy access to your money on a regular and timely basis;
- transition to retirement;
- concessional taxation treatment;
- your money is kept locally.

For Centrelink assessment of your Pension fund we would advise you to contact your local Centrelink Office.

4. Risks of investing in our Pension Fund

All investments have some level of risk. While the Hunter United Pension Fund is a low-risk investment, there are some risks you should consider before investing.

Our Pension Fund may not provide an income stream for the rest of your life as it depends on the amount of money invested, the rate of return and your future life span.

A capital guaranteed investment on its own may not provide sufficient returns during your retirement. Other types of growth investments (such as shares) have greater volatility and less security in the short term but have potential to generate better returns over the long term.

When considering this investment, it is important to understand that:

- the variable interest rate return is not guaranteed;

- the fixed interest rate return could be overtaken by market movements;
- previous returns don't predict future performance;
- insurance coverage is generally not available; and
- laws affecting your account based pension may change.

5. How we invest your money

The Hunter United Pension Fund is a 100% cash capital guaranteed investment and does not invest in any other asset classes.

We offer investors the choice of a variable rate of return and a fixed term interest rate (see table below). If you do not nominate an investment option your funds will be invested in the Variable Interest Rate Option.

You can apply for the Fixed Term Interest Rate Option as part of your Hunter United Pension Fund at any time provided you invest:

- a minimum of \$20,000; and
- keep sufficient funds (i.e. 30% of balance) in the Variable Interest Rate Option to allow for drawdowns and fees.

You can apply to redeem your Fixed Term Interest Rate Option prior to maturity by providing 31 days written notice. If we agree to your request, you will be charged an early termination fee (see section 7).

Investment options

	Variable Interest Rate	Fixed Interest Rate
Investment Return Objective*	Inflation rate (preserve purchasing power)	Inflation rate (preserve purchasing power)
Interest Calculate	Interest calculated daily and credited monthly	Interest calculated daily and paid at the end of the term
Mix Of Asset Classes	Cash 100%	Cash 100%
Description	This fund is designed for investors who want a low risk: low return investment that safeguards their capital from investment losses while providing returns in line with inflation. There will be some fluctuations of returns from year to year.	This fund is designed for investors who want a low risk: low return investment that safeguards their capital from investment losses while providing a fixed rate of return for the term selected. There will be fluctuations of returns from term to term.
Minimum Time Frame	No minimum period	The minimum term is 6 months
Summary Risk Level	Low Risk: Low Return. No risk of losing money.	Low Risk: Low Return. Certainty of return.

* The investment objective is the investment return we seek to achieve after fees and taxes. It is designed to keep returns in line with the rate of inflation. For example, if the objective for an investment option is inflation and the inflation rate is 4% then the objective return would be 4%.

The Hunter United Pension Fund does not specifically take into account labour standards, or environmental, social and ethical considerations into the selection, retention or realisation of investments as it wholly invests in cash. The funds are used predominantly to lend for residential mortgages in the Hunter region.

6. Past performance

The Hunter United Pension Fund was formerly known as the Hunter United Super Ezy Allocated Pension.

The average annual effective rate of return paid by the Hunter United Pension Fund is summarised below:

Past Performance						
	Annual effective Rate of return (%)					5 year Compound Average return %
	2009 to 2010	2010 to 2011	2011 to 2012	2012 to 2013	2013 to 2014	2009 to 2014
Allocated Pension Example \$100k	3.266	5.000	4.731	3.626	2.792	3.880

For the current rate of return and the fixed term options please see www.hunterunited.com.au

7. Fees and other costs

Fees and other costs

This document shows fees and other costs that you may be charged. These fees and costs may be deducted from your money, from the returns on your investment or from the fund assets as a whole.

Taxes are set out in another part of this document.

You should read all the information about fees and costs because it is important to understand their impact on your investment.

DID YOU KNOW?

Small differences in both investment performance and fees and costs can have a substantial impact on your long term returns.

For example, total annual fees and costs of 2% of your fund balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example, reduce it from \$100,000 to \$80,000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.

TO FIND OUT MORE

If you would like to find out more, or see the impact of the fees based on your own circumstances, the **Australian Securities and Investments Commission (ASIC)** website (www.moneysmart.gov.au) has a superannuation calculator to help you check out different fee options.

TYPE OF FEE OR COST	
Fees when your money moves in and out of the fund	
Establishment Fee The fee to open your investment	Zero 0.0% of your initial contribution and any additional amounts invested in the fund
Contribution Fee The fees on each amount contributed to your investment – either by you or your employer	Zero
Withdrawal fee The fee on each lump sum withdrawal you take out of your investment	A fee of \$50 will be charged against your account balance for each lump sum withdrawal
Termination fee The fee to close your investment	Zero Where a lump sum withdrawal is made as part of the closure the withdrawal fee will be charged.
Fixed term early termination fee	1% of the balance of your fixed term at early termination (see example page 9) Fee payable if a fixed term investment is terminated early
Management costs	
The fees and costs for managing your investment	Zero
Service fees	
Administration fee	\$5.00 per month deducted from account balance (includes access to a linked Hunter United transaction account)
Family Law Act - Information Request Form 6 (eligible person)	\$110 charged to the person requesting the information
Family Law Act – Splitting Account Fee (splitting order or agreement)	\$275 charged against your account when the split is affected

Fees and costs related to administration of your account are deducted directly from your account balance and the amounts will be shown on your account statement.

Additional explanation of fees and other costs

There are no other fees and costs for the Hunter United Pension Fund. The Administration fee paid each month covers all processing and administration undertaken on your pension.

Keep in mind that the level of fees and costs can change from time to time, Hunter United will always notify you in advance of any fee change. We also reserve the right to debit your account with any applicable government charges that may be introduced. We will notify you if we do this.

Example

Other funds use the same example as the one below so you can compare fees and costs.

Hunter United Pension Fund		BALANCE OF \$50,000 WITH TOTAL WITHDRAWALS OF \$5,000 DURING YEAR
Contribution Fees	Zero	You will not be charged any contribution fees.
PLUS Management Cost and Administration cost	0% + \$60 (\$5 per month)	Each year you will not be charged a management fee, you will only be charged \$60 in administration fees regardless of your balance.
EQUALS Cost of fund		If you draw down \$5000 in pension payments during a year and your balance was \$50,000, then for that year you will be charged fees of \$60.
Establishment Fee	Zero	Additional fees may apply if you elect to make lump sum withdrawals. if you choose to leave the fund early, you may also be charged a withdrawal fee of \$50.

Example - Fixed term early termination fee

If we agree to redeem your fixed term option prior to maturity you will be charged an early termination fee.

The fee is calculated using the following formula:

$A \times B \times C$ where: $A = 1\%$

$B =$ the residual term relative to the full fixed term.

$C =$ the balance immediately prior to redemption.

For example, David invested \$100,000 for 12 months on 1/1/2012. David requested and we agreed to allow David to redeem his balance effective 1/7/2012.

The residual term is equal to 183 days.

David's fixed term option balance prior to redemption was \$102,500.

Early termination Fee = \$512.50 (1% x 183/366 x \$102,500)

8. How pension funds are taxed

The Australian Government provides a range of incentives to encourage people to be self sufficient in retirement. Tax concessions and other government benefits generally make account based pensions one of the best vehicles for investing and receiving a retirement income stream. Taxation concessions include:

- No tax is payable when you transfer your superannuation into a pension fund (except from untaxed super funds). The pension fund's earnings are not taxed thereby delivering higher net returns to account based pension holders.
- For persons over the age of 60, the income payments received are tax free and do not need to be declared as assessable income Lump sum withdrawals are concessionaly taxed provided there is a valid tax file number provided (see table below).

Component	Lump Sum Tax Treatment
Tax - free	Nil
Taxable (for persons aged under 55)	Taxed at 21.5%
Taxable (Preservation Age to Age 59)	\$185,000 is tax - free *; the balance is taxable at 16.5%
Aged 60 and over	Tax - free

**The low rate threshold commences at \$185,000 from 1 July 2014 then indexes annually in increments of \$5,000.*

Note: You must provide a Tax file number declaration form when you open your Hunter United Pension Fund.

9. How to open an account

Step 1. Read this PDS, including the important information referred to in this PDS.

Step 2. Complete the Application form available from www.hunterunited.com.au.

Step 3. Complete the Transfer Authority form included with the application form to provide instructions to have your superannuation (or part of) transferred to the Hunter United Pension Fund.

Important Note: Consider consolidating your superannuation into one fund before transferring super into the Hunter United Pension Fund. **The Hunter United Super Fund is an approved rollover account, has no entry fees, low exit fee and is ideal for consolidation purposes.**

Once your Pension Fund commences it cannot accept any further superannuation contributions and a new account would need to be opened instead.

A cooling-off period applies. We will return your money to you and no fees will apply (but there may be some tax payable) if you cancel your membership in writing within 19 days from the date we receive your application; or within 14 days from the date your membership is confirmed.

10. Privacy

A copy of our Privacy Policy outlining how we handle your personal information is maintained on our website and can be accessed at www.hunterunited.com.au/privacy-policy.html

11. Complaints

Our aim is to provide a quality service that meets your needs. Where you feel there is room for improvement or you have a concern or an issue that needs to be addressed - please let us know. We welcome the opportunity to improve our services. Please find our Contact Details in Section 12.

We will confirm receipt of your complaint within 2 days. Hunter United has 90 days to respond to your complaint, by law. If you are not satisfied with our handling of your complaint, then you may be able to take your complaint to the Superannuation Complaints Tribunal (SCT).

You may contact the SCT by calling 1300 884 114 or in writing at: Locked Bag 3060
Melbourne Vic 3001
Email: info@sct.gov.au
Fax: (03) 8635 5588

12. Contact details

If you have any questions or would like more information, please contact Hunter United:

phone: (02) **4941 3888**
fax: (02) 4941 3868
email: enquiry@hunterunited.com.au
address: PO Box 851 Newcastle, NSW 2300
web: www.hunterunited.com.au

Hunter United currently utilises the services of Financial Synergy Pty Ltd to provide certain administrative support services to assist in the provision of the Hunter United Super Fund.

www.hunterunited.com.au

Hunter United

Ph: (02) **4941 3888**

Head Office: 130 Lambton Rd Broadmeadow NSW 2292

The Hunter United Pension Fund is issued by Hunter United
Employees' Credit Union Ltd

ABN 68 087 650 182 AFSL 238316

Insurance is provided by TAL Life Limited ('TAL')

ABN 70 050 109 450 AFSL 237848