

## Changes to super pensions as a result of COVID-19

The Australian Government has made several changes to super as part of its economic response to the impacts of COVID-19. This includes a temporary reduction to minimum drawdown rates for pension accounts and changes to social security deeming rates. Details of these changes are below.

### Temporary reduction of minimum drawdown rates

The Government has temporarily reduced the minimum drawdown rates for pensions for the 2019-20 and 2020-21 financial years.

#### *What does this mean?*

By law, you must draw down a minimum amount from your Term Allocated Pension account each financial year. A reduction in the minimum drawdown rate means you have the option to draw down less from your pension account for the 2019-20 and 2020-21 financial years.

This change aims to provide you with more flexibility when managing your super assets, particularly during current market volatility.

#### *How does this work?*

Your prescribed pension payment amount each year is determined by your account balance at 1 July and a prescribed payment factor (based on the remaining term of your pension).

For the 2019-20 and 2020-21 financial years, you can choose to draw down an annual amount within a range that is 45 per cent lower than your prescribed payment amount and 10 per cent higher than your prescribed payment amount.

#### Example

If John has an account balance of \$500,000 and the remaining term of his MTAA Super Term Allocated Pension is 23 years:

- the applicable payment factor is 15.62\*
- John's prescribed annual pension amount is \$32,010 (500,000 divided by 15.62).
- John can choose to receive annual pension payments of between \$14,404 (45 per cent less than \$32,010) and \$35,211 (10 per cent greater than 32,010).

#### *What do I need to do?*

If you want to reduce your payments for the remainder of this financial year, you need to let us know by filling out a *Pension Variation* form at [mtaasuper.com.au/forms](https://mtaasuper.com.au/forms) and posting it to:

**MTAA Super**  
**Locked Bag 5134**  
**Parramatta NSW 2124**

Note, if you've already drawn down more than the new minimum, you can choose not to receive any more payments from your pension account this financial year. However, you cannot put any money you have already received back into your pension account.

If you are happy with your payments and want to keep them the same, you don't need to do anything. Your payments will stay the same until 30 June 2020.

No matter which option you choose for the remainder of this financial year, we will send you another letter asking your preferred payment amounts for the 2020-21 financial year.

### **Changes to social security deeming rates**

On 1 May 2020, the Government will reduce the upper social security deeming rate to 2.25 per cent and the lower social security deeming rate to 0.25 per cent.

Deeming rates are used by Centrelink for income test calculations and are a key consideration in the Age Pension income test.

This change means many people on the Age Pension will receive on average an extra \$105 in the first full year that the reduced rates apply.

### **More information**

For more information on the Australian Government's Economic Response to the Coronavirus visit the Treasury website at [treasury.gov.au/coronavirus](https://treasury.gov.au/coronavirus)

### **Need help?**

Everyone's situation is different. If you're worried about your super or not sure what action to take, you should speak to a financial adviser. They can provide you with over the phone advice and help you find an option that best suits you and your needs.

To speak to an MTAA Super Adviser, call **1300 362 415**.

Regards,

MTAA Super