

MINIMUM PENSION PAYMENTS

If you have an account based pension or an allocated pension, you must ensure that you withdraw the minimum amount of money each year from your fund so that the earnings on your pension account can be tax exempt.

This minimum pension payment also applies to people with a Transition to Retirement Income Stream (TRIS). They must not only adhere to the 10% maximum pension withdrawal limit and some other restrictions, but they must also take at least the minimum pension payment that applies to account based pensions in general.

The table below summarises the pension factors that are to be used to calculate what the minimum amount of pension needs to be and some worked examples follow:

Age	Percentage of account balance
	Normal Pension Factor 2013-14 2014-15 and future years
55-64	4%
65-74	5%
75-79	6%
80-84	7%
85-89	9%
90-94	11%
95 +	14%

The minimum amount is worked out by multiplying the member's pension account balance by the relevant percentage factor as per the table above. The amount is rounded to the nearest \$10 whole dollars

For most purposes, 'account balance' means:

- the pension account balance on 1 July in the financial year in which the payment is made
- if the pension commenced during the financial year - the balance on the commencement day
- in both cases the account balance must be measured at the market value of the assets; not the cost value

Where the pension commences after 1 July and before 1 June in a financial year, the minimum payment amount for that first year is calculated proportionately to the number of days remaining in the financial year. I.e. the minimum payment amount equals the minimum payment amount times the remaining number of days/365 (or 366 if a leap year).

Where the pension commences after 1 June in a financial year, there is no minimum payment required in that financial year.

Example 1

Michelle commenced an account-based pension with \$325,000 in August 2012. Her pension account balance as at 1 July 2014 was \$333,333.00. She was 68 years old as at 1 July 2014.

Her minimum annual payment amount for the 2015 year is \$16,670 ($\$333,333 \times 5\%$).

Example 2

Lucie commenced an account-based pension on her 60th birthday, 12 November 2014 with \$475,000.00.

Her minimum pension payment for the 2014-15 year is \$12,020.

($\$475,000.00 \times 4\% \times 231/365 = \$12,024.65$ (rounded to the nearest \$10 = \$12,020))

- *Note how the minimum payment is calculated proportionately from the commencement day to the end of the financial year. i.e. 231 is the number of days from 12 November 2014 to 30 June 2015*

Example 3

Alan commences an account-based pension on 10 June 2015 at the age of 65.

There is no minimum payment required from the pension account for the 2014-15 financial year because the pension commenced after 1 June 2015.