

Commonwealth PensionSelect

Effective date: 1 July 2017

Product Disclosure Statement

Part 2 – Fees and Tax

Issued by Colonial Mutual Superannuation Pty Ltd ABN 56 006 831 983, AFSL 235025 (the 'Trustee')

Commonwealth
Financial Services



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This Product Disclosure Statement (PDS) is provided in two parts:

- **Part 1 – General Information**
- **Part 2 – Fees and Tax**

You should read both Part 1 and Part 2.

If you have not received both parts simply call **13 2015** between 8.30am and 6pm (AEST), Monday to Friday.

Notices

Commonwealth PensionSelect is a pension plan in Colonial Super Retirement Fund ABN 40 328 908 469, SFN 2933 419 40 (the Fund). Colonial Mutual Superannuation Pty Ltd (CMS, Trustee, we, us, or our) is the trustee of the Fund.

Commonwealth PensionSelect, the pension plan of the Fund, is administered by The Colonial Mutual Life Assurance Society Limited ABN 12 004 021 809 AFSL 235035 (CMLA).

Commonwealth Financial Services is a registered business name of CMS and CMLA.

CMS and CMLA are both wholly owned subsidiaries of Commonwealth Bank of Australia ABN 48 123 123 124 AFSL 234945 (Commonwealth Bank Group or The Group).

Commonwealth Bank and its subsidiaries do not guarantee or in any way stand behind the performance of the Fund or the repayment of capital or interest by the Fund. Investments in Commonwealth PensionSelect are not deposits or other liabilities of Commonwealth Bank or its subsidiaries (other than CMLA or the Trustee) and investment-type products are subject to investment risk, including possible delays in repayment and loss of income and principal invested.

Part 2 – Fees and Tax

Fees and other costs

DID YOU KNOW?¹

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. You are not able to negotiate to pay lower administration fees.

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 (moneysmart.gov.au) has a superannuation fee calculator to help you check out different fee options.

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

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

Other fees such as activity fees, advice fees for personal advice and insurance fees, may also be charged, but these will depend on the nature of the activity, advice or insurance chosen by you.

The fees and other costs for each investment option offered by the superannuation entity are set out on pages 2 to 9 of this PDS.

¹ This consumer advisory warning is required by law.

Part 2 - Fees and Tax

Commonwealth PensionSelect

Type of fee	Amount ¹	How and when paid
Investment fee	Nil	No Investment fee is charged directly. However, it is included in the Indirect cost ratio (ICR). Please see page 9 of this PDS for details.
Administration fees	\$71.27 ² p.a. per account	The administration fee is deducted annually on the anniversary of your account opening and on termination (a pro-rata amount if you leave before your next anniversary) by cashing units from your account.
Buy/sell spread	0% - 0.50% per transaction depending on the option	It is an allowance for transaction costs and is applied before the deposit and withdrawal unit prices for the investment options are declared.
Switching fee	Nil	N/A
Exit fee	Nil	N/A
Advice fees relating to all members investing in a particular investment option	Nil	N/A
Indirect cost ratio ³	1.22% p.a. to 2.59% p.a. (estimated)	Accrued daily in the unit price, and deducted monthly in arrears, for each investment option (refer to next page for the cost of each investment option).

1 All figures disclosed include the net effect of GST.

2 The dollar based Administration fee will be indexed on 1 July each year in line with increases in the Consumer Price Index.

3 Please refer to 'Additional explanation of fees and costs on page 9 for further information.

Part 2 - Fees and Tax

Breakdown of costs

Option name	Investment fee (% p.a.) (1)	Transactional and Operational costs (% p.a.) (2)	Total Indirect cost ratio (% p.a.) (1) + (2)	Borrowing costs (%p.a.)*	Implicit costs (% p.a.)**
Commonwealth Capital Secure	1.10%	0.19%	1.29%	0.00%	0.05%
Commonwealth Savings	1.10%	0.11%	1.22%	0.00%	0.00%
Commonwealth Capital Defensive	1.29%	0.23%	1.53%	0.00%	0.07%
Colonial First State Conservative	1.74%	0.21%	1.95%	0.00%	0.05%
Commonwealth Balanced	1.60%	0.34%	1.94%	0.02%	0.03%
BT Active Balanced	2.09%	0.14%	2.23%	0.00%	0.01%
Colonial First State Balanced	1.84%	0.24%	2.08%	0.00%	0.04%
Commonwealth Managed	1.60%	0.36%	1.96%	0.03%	0.02%
FirstChoice Multi-Index Balanced	1.97%	0.37%	2.34%	0.00%	0.02%
Perpetual Balanced Growth	2.09%	0.34%	2.43%	0.00%	0.02%
Colonial First State Diversified	1.94%	0.38%	2.32%	0.00%	0.03%
Commonwealth Growth	1.60%	0.37%	1.97%	0.03%	0.00%
FirstChoice Wholesale High Growth	2.16%	0.43%	2.59%	0.00%	0.00%
Commonwealth Shares	1.60%	0.28%	1.89%	0.00%	0.00%
Commonwealth Australian Shares	1.60%	0.22%	1.83%	0.00%	0.00%

The above figures represents the actual costs incurred in the last financial year.

* Borrowing costs

Borrowing costs are costs that relate to credit facilities and are incurred in relation to some of the statutory fund's underlying investments. These costs are estimated for the financial year ended 30 June 2017 and may change from year to year. Borrowing costs are deducted from the investment option assets before unit prices are determined and are an additional cost to you, but are not paid to any investment manager and neither CMLA nor the Trustee earn any income from them.

**Implicit costs

Implicit costs are the excess amount payable to acquire an investment above the price that it could be disposed of at the time it is acquired, and are incurred in statutory fund's underlying investments. These amounts are not paid to any investment manager and neither CMLA nor the Trustee earn any income from them. Where relevant, these costs are deducted from the investment option assets before unit prices are determined.

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Buy/Sell Spread

Option name	Buy/sell spread (%)
Commonwealth Capital Secure	0.10/0
Commonwealth Savings	0/0
Commonwealth Capital Defensive	0.20/0
Colonial First State Conservative	0.15/0
Commonwealth Balanced	0.20/0
BT Active Balanced	0.40/0
Colonial First State Balanced	0.30/0
Commonwealth Managed	0.25/0
FirstChoice Multi-Index Balanced	0.30/0
Perpetual Balanced Growth	0.40/0
Colonial First State Diversified	0.40/0
Commonwealth Growth	0.30/0
FirstChoice Wholesale High Growth	0.50/0
Commonwealth Shares	0.35/0
Commonwealth Australian Shares	0.35/0

Part 2 - Fees and Tax

Example of annual fees and costs for the Commonwealth Balanced investment option

The table below gives an example of how the fees and costs in the Commonwealth Balanced investment option of this product can affect your superannuation over a one year period. You should use this table to compare this product with other products.

Example – Commonwealth Balanced option		Balance of \$50,000 during the year
Investment fees	Nil	N/A
Plus Administration fees	\$71.27 p.a.	And , a member will be charged \$71.27 in administration fees regardless of their balance
Plus Indirect costs for the Balanced option	1.94% p.a.	And , indirect costs of \$970 each year will be deducted from their investment
Equals Cost of product		If your balance was \$50,000, then for that year you will be charged fees of \$1,041.27 for the Balanced option.

These figures are inclusive of the net effect of GST.

Please note that these are just examples. In practice, the actual investment balance of a member will vary daily and the actual fees and expenses we charge are based on the value of the options, which also fluctuates daily. Buy/sell spreads also apply. Refer to page 4 of this PDS.

Additional explanation of fees and costs

Defined fees

The Trustee may only charge the following fees. Please note all fees are tax exempt.

Type of fee	Description	Does this fee apply?
Activity fees	<p>A fee is an activity fee if:</p> <ul style="list-style-type: none"> (a) the fee relates to costs incurred by the trustee of the superannuation entity that are directly related to an activity of the trustee: <ul style="list-style-type: none"> (i) that is engaged in at the request, or with the consent, of a member; or (ii) that relates to a member and is required by law; and (b) those costs are not otherwise charged as an administration fee, an investment fee, a buy/sell spread, a switching fee, an exit fee, an advice fee or an insurance fee. 	N/A
Administration fees	<p>An administration fee is a fee that relates to the administration or operation of the superannuation entity and includes costs that relate to that administration or operation, other than:</p> <ul style="list-style-type: none"> (a) borrowing costs; and (b) indirect costs that are not paid out of the superannuation entity that the trustee has elected in writing will be treated as indirect costs and not fees, incurred by the trustee [OR the trustees] of the entity or in an interposed vehicle or derivative financial product; and (c) costs that are otherwise charged as an investment fee, a buy-sell spread, a switching fee, an exit fee, an activity fee, an advice fee or an insurance fee. 	Yes – refer to page 2 of this PDS for details

Part 2 - Fees and Tax

Type of fee	Description	Does this fee apply?
Advice fees	<p>A fee is an advice fee if:</p> <ul style="list-style-type: none"> (a) the fee relates directly to costs incurred by the trustee [OR the trustees] of the superannuation entity because of the provision of financial product advice to a member by: <ul style="list-style-type: none"> (i) a trustee of the entity; or (ii) another person acting as an employee of, or under an arrangement with, the trustee of the entity; and (b) those costs are not otherwise charged as an administration fee, an investment fee, a switching fee, an exit fee, an activity fee or an insurance fee. 	N/A
Buy/sell spreads	A buy/sell spread is a fee to recover transaction costs incurred by the trustee of the superannuation entity in relation to the sale and purchase of assets of the entity.	Yes – refer to page 4 of this PDS for details
Exit fees	An exit fee is a fee to recover the costs of disposing of all or part of members' interests in the superannuation entity.	N/A
Indirect cost ratio	<p>The Indirect cost ratio (ICR), for an investment option offered by a superannuation entity, is the ratio of the total of the indirect costs for the investment option, to the total average net assets of the superannuation entity attributed to the investment option.</p> <p>Note: A dollar based fee deducted directly from a member's account is not included in the Indirect cost ratio.</p>	Yes – refer to pages 3 and 9 of this PDS for details

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Type of fee	Description	Does this fee apply?
Investment fees	<p>An investment fee is a fee that relates to the investment of the assets of a superannuation entity and includes:</p> <ul style="list-style-type: none">(a) fees in payment for the exercise of care and expertise in the investment of those assets (including performance fees); and(b) costs incurred by the trustee of the entity that:<ul style="list-style-type: none">(i) relate to the investment of assets of the entity; and(ii) are not otherwise charged as an administration fee, a buy/sell spread, a switching fee, an exit fee, an activity fee, an advice fee or an insurance fee.	Yes. However, this fee is not charged directly but is a cost included in the ICR. Please refer to page 9 of this PDS for details.
Switching fees	<p>A switching fee is a fee to recover the costs of switching all or part of a member's interest in the superannuation entity from one investment option or product in the entity to another.</p>	N/A

Increases or alterations to the fees

While we strive to keep fees competitive, they may increase as the cost of running PensionSelect varies. We will give you notice to any variation to fees, within the time period specified by law.

- We will increase the Administration fee as at 1 July each year in line with increases in the Consumer Price Index
- We may increase the fees that form part of the Indirect cost ratio to no more than double the current level at the time your PensionSelect Account commenced.

The law and the trust deed allow us to charge reasonable fees for requests for information relating to family law cases and the superannuation splitting provisions. At this time we have elected not to charge these fees; however, we reserve the right to charge them at a later date.

Indirect cost ratio

The Indirect cost ratio (ICR), for an investment option offered by a superannuation entity, is the ratio of the total of the indirect costs for the investment option, to the total average net assets of the superannuation entity attributed to the investment option.

Effective from 1 July 2017, the Trustee has elected to treat any costs not payable out of the Fund including investment fees collected by the Fund from the members and were previously included in the ICR, as an Indirect Cost.

Components of the ICR:

- **Investment fee**

The Investment fee includes investment costs for the investment managers and the responsible entities of the underlying trusts in which CMLA's statutory fund invests. The fee is calculated as a percentage of the total assets invested in the underlying investment option and varies from time to time. It is deducted from the investment option assets before unit prices are determined and will be reflected in the ICR.

- **Transactional and operational costs**

There are transactional and operational costs incurred in the underlying investments in which CMLA's statutory fund invests. These costs include over the counter (OTC) derivatives, custody and clearing costs and are costs not paid to any investment manager and neither the Trustee nor CMLA earn income on these allowances. Included in these costs is the Superannuation Supervisory Levy* which is paid by CMLA from its statutory fund.

* Superannuation Supervisory Levy

For the financial years ending 30 June 2013 to 2018, there will be a temporary increase in the levy (included in the ICR) to cover the costs associated with implementation of the SuperStream measures which were announced as part of the Government's Stronger Super reforms.

Adviser commission

No adviser will receive any commission from CMLA in relation to your investment in PensionSelect from the date of this PDS.

How is my pension taxed?

The following information provides an overview of the tax rules that apply to PensionSelect as at 1 July 2017.

The statements are general in nature and you should seek professional advice regarding your individual circumstances.

We will advise you of any changes to the taxation legislation affecting your superannuation arrangements with PensionSelect as required by law.

What taxes will be deducted from your pension payment amount?

On commencement of your pension, your account balance will be proportioned between your:

- taxable component, and
- tax-free component.

For further information on your tax components, please call our customer service representatives on the number shown at the back cover of this document.

The taxation components of each pension payment amount will be in the same proportion as your account balance on the commencement of your pension. You should talk to your financial adviser about what this means for you given your individual objectives, financial situation and needs.

No tax is payable:

- on your whole pension payment amount if you are age 60 or over
- on the tax-free component of your pension payment amount, or
- if you are receiving a pension because you are an eligible pension dependant of a member who died age 60 or over.

If you are under age 60, tax may be withheld from the taxable component of your pension payment amount:

- calculated using PAYG tax scales (taking into account whether you can claim the tax-free threshold and various tax offsets); or
- at the highest marginal tax rate, if you have not quoted your TFN or do not have a TFN exemption. Please contact us to obtain a Tax File Number Declaration Form.

If you were under age 60 at any time when in receipt of pension payments, then regardless of whether tax is withheld from your pension payment amounts, we will give you a Payment Summary annually to assist you to complete your personal income tax return.

Can you withdraw an additional lump sum super benefit from your account balance?

You should talk with your financial adviser about the taxation and social security benefit consequences that may apply as a result of withdrawing a lump sum super benefit from your pension.

You can withdraw an additional lump sum super benefit from your allocated pension in excess of your pro-rated minimum pension payment amount.

If a particular investment option is suspended, restricted or unavailable we may not process withdrawal requests for an additional lump sum super benefit (including a rollover) from that option until further notice. Any decisions about whether to process withdrawal requests for additional lump sum super benefits will be made in the best interests of members as a whole.

No tax is payable on:

- your whole super benefit if you are age 60 or over
- the tax-free component of your super benefit, or
- a death benefit paid to you as a lump sum because you are a dependant of a deceased member receiving a pension who nominated you on their valid death nomination form.

If you are under age 60, tax may be withheld by the fund from the taxable component of your super benefit.

Also if you were less than age 60 at the time of the withdrawal, we will give you a Payment Summary for your personal income tax return.

How will your pension affect your social security benefits?

Centrelink and the Department of Veterans' Affairs both have an assets test and an income test to determine the amount of your social security benefits, including age pension or service pension you are eligible to receive.

The account balance of your pension may be assessed under the assets test. Your pension payment amount (less a non-assessable amount) may be assessed under the income test.

Laws about your social security benefits are complex and subject to change. You should talk with your financial adviser about how your pension may affect your eligibility for social security benefits given your individual objectives, financial situation and needs.

Death Benefits paid as a pension

A death benefit paid as a reversionary pension will generally be tax-free if either the primary or reversionary beneficiary is aged 60 or over. If both are under age 60 at the time of death, then the pension, less any tax-free portion will continue to be taxed at the reversionary beneficiary's marginal tax rate (less 15% pension tax offset) until the reversionary beneficiary turns age 60 (at which time it will become tax exempt).

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8.30 am – 6 pm (Sydney time), Monday to Friday

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