

Important information about your Pension

Notice for members of Westpac Flexible Income Plan of changes effective 1 July 2007

Introduction:

In the 2006 Federal Budget the Government announced significant changes designed to simplify and streamline superannuation. As a result many legislative changes will take effect from 1 July 2007. Some of the changes are already in place.

This notice outlines the changes to your pension. If you have any questions about these changes and how they apply to you, you should talk to your financial planner or contact Customer Relations on 131 817.

The information in this notice relating to the changes to tax and superannuation law is intended to be a guide only and should not be relied on as a complete statement of all relevant laws. It is based on our interpretation of current law at the date of preparation of the notice dated May 2007. The information is provided as a general overview of how these laws apply to the particular product you have acquired, but the application of these laws depends on your individual circumstances and does not take account of your objectives, financial situation or needs. Because of this you should, before acting on this information, consider its appropriateness, having regard to your objectives, financial situation and needs. Therefore, it is recommended that you seek independent professional advice about any specific circumstances. Westpac Securities Administration Limited ABN 77 000 049 475, AFSL No. 233731, RSE L0001083, is the trustee of Westpac Flexible Income Plan RSE R1003970 and issuer of this notice.

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CHANGES TO PENSION RULES

1. Introduction

The Federal Government's 'Simpler Super' package contains amendments to superannuation and taxation law, which require changes to the Westpac Flexible Income Plan (the Plan) from 1 July 2007.

We are taking advantage of the Government's superannuation reforms to enhance the offering of the Plan with the changes described in this document. Except where otherwise noted, these changes take effect from 1 July 2007.

2. New pension standards

From 1 July 2007, the Plan will adopt the new pension standards and it will be classified as an account based pension.

3. Changes to existing payment rules

From 1 July 2007, the following changes will be made to the payment rules:

- your minimum annual payment limit will be calculated differently, and
- there will be no maximum annual payment limit.

Your new minimum annual payment limit will be calculated as a percentage of your account balance on 1 July each year, starting from 1 July 2007. This percentage is determined by your age on 1 July of the relevant financial year, as follows.

Your age at 1 July	Percentage of balance
Under 65 years	4%
65 to 74 years	5%
75 to 79 years	6%
80 to 84 years	7%
85 to 89 years	9%
90 to 94 years	11%
95 years and over	14%

These percentages may change from time to time.

Please note the following regarding your future payments:

- **Minimum payment** - if you received the minimum payment in 2006/07, you will receive the new minimum payment in future years unless you instruct us otherwise.

Your new minimum payment may be lower than your current payment, so we encourage you to assess whether this amount will be sufficient to meet your needs and consult your financial planner if you need assistance.

- **Specified payment** - if you specified a payment amount for 2006/07 and that amount satisfies your new minimum payment limit for 2007/08, you will continue to receive the same before-tax amount unless you instruct us otherwise.

If you have instructed us to increase your specified amount in line with inflation or a nominated rate each 1 July, this adjustment will occur as usual.

- **Maximum payment** - if you received the maximum payment in 2006/07, we will convert this to a specified amount from 1 July 2007. To minimise disruption to your payment levels, this amount will be set at the before-tax payment you received in 2006/07.

This specified amount will remain unchanged for 2007/08 and future years, unless you instruct us to amend the payment (subject to the new minimum payment requirements). It will not increase each 1 July, unless you request this.

You will receive your payment details in mid July 2007, which will detail your:

- annual payment amount for 2007/08; and
- minimum annual payment limit, according to the new rules.

This provides you with a good opportunity to review and, if required, amend your payments.

4. Tax component changes

An important part of the Government's policy to simplify superannuation is the conversion of all existing Eligible Termination Payment (ETP) components into the two new tax components prescribed by the Government - the 'taxable' component and the 'tax-free' component.

We will convert your existing ETP components to the two new components – taxable and tax-free – when the Government prescribed trigger event first applies to you, based on your account balance and service period details as at the date of the trigger event.

A trigger event occurs when;

- you reach 60 years of age
- you request a full or partial commutation
- you die.

The tax-free proportion of your pension will then be determined and this will not change for the remaining period of the pension.

If you are already aged 60 years or over as at 30 June 2007, the trigger event date will be 30 June 2007 and we will convert your ETP components into the two new components in July.

If you are still under 60 years of age at the trigger event date, tax will still be payable on the taxable portion of each payment (including lump sums) until you turn age 60 years.

If your trigger event is turning 60 years of age, the tax-free proportion of your pension will only be required to be used if you roll over your pension to another fund and when calculating components for death benefit payment purposes.

When the trigger event applies to you, the following steps will be taken:

- a) the amount of your pre '83 component (if any) will be calculated as at that date¹,
- b) your remaining Undeducted Purchase Price (UPP) will be calculated as at the same date,
- c) the amounts calculated in (a) and (b) will be added together to determine your tax-free amount,
- d) the tax-free amount will be used to calculate your tax-free proportion – that portion of your total pension balance as at the trigger event date that forms the tax-free component.

5. Taxation of payments

The amount of tax you pay and the way in which we calculate that tax, may change from 1 July 2007.

Members aged 60 years or over at 1 July 2007

If you are already aged 60 years or over at 1 July 2007, all payments from the Plan, including any lump sum withdrawals, will be tax-free from that date.

You will no longer be required to include any payments from the Plan in your income tax return. For this reason, from 2008, we will no longer provide you with a payment summary at the end of each financial year. However, you will continue to receive an annual statement for your records.

Your new tax-free amount will be used to determine the tax-free proportion of your pension as at 30 June 2007. Your tax-free proportion will not change for the life of your pension. This tax-

¹ If your pension commenced prior to 1 July 1994 or was purchased wholly with rollover amounts from pensions which commenced prior to 1 July 1994, step (a) will not apply. Your tax-free component will consist of the remaining UPP as at the trigger event date as outlined in steps (b) and (c).

free proportion will only be required to be used if you roll your pension to another fund, or when calculating components for death benefit payment purposes.

As the conversion to the new components will be based on your account balance and service period as at 30 June 2007, the date on which we actually convert to the new components will not affect the outcome. However, we will perform this conversion as close as possible to 30 June 2007.

Members aged under 60 years at 1 July 2007

If you are under 60 years of age at 1 July 2007, your tax calculations will continue to be based on the existing rules until a trigger event occurs.

Any payments received by you up to age 60 years will be included on a payment summary issued to you to be included in your income tax return.

Where tax is payable on payments, the 15% pension tax offset will also apply if you are aged 55 years or over, or if you are permanently incapacitated.

Abolition of Reasonable Benefit Limits

From 1 July 2007, the Government will abolish Reasonable Benefit Limits (RBLs). If you are under 60 years of age and do not currently receive the full pension tax offset of 15% because your pension contains excessive amounts, the full offset will be available to you from 1 July 2007.

If you are over 60 years of age, all payments will be tax-free.

6. Treatment of payments

All payments will be treated as income for tax purposes, unless you inform us at the time of the particular withdrawal request that you wish the amount to be treated as a lump sum cash withdrawal.

The classification of a payment as either income or a lump sum may result in a different treatment for tax and Centrelink purposes. If you are unsure whether you should take a payment as income or a lump sum payment, we recommend that you speak with your financial adviser.

Please note that a Transaction Advice will not be issued for payments from the Plan that are treated as income. Details of all payments will be provided in your payment summary and annual statement issued after the end of each financial year.

7. Taxation of death benefits paid as a lump sum

Death benefits paid as a lump sum to your dependants for tax purposes will be tax-free. A dependant for tax purposes includes:

- your spouse (including de facto spouse) or former spouse
- your children under age 18 years
- a person who was wholly or substantially financially dependent on you at the time of your death; and
- a person with whom you were in an interdependency relationship² at the time of your death.

Death benefits paid as a lump sum to a non-dependant for tax purposes³ will be taxed in the following manner:

Component	Tax treatment
Tax-free	Tax-free
Taxable	Taxed at 15% plus the Medicare levy

Death benefits paid to your estate are taxed within the estate depending on whether or not your beneficiaries are dependants for tax purposes at the time of your death.

8. Taxation of death benefits paid as a pension

If either you or your beneficiary are aged 60 years or over at the time of your death, all payments made from the pension to your beneficiary will be tax-free.

If neither you nor your beneficiary are aged 60 years or over at the time of your death, the pension will be treated for tax purposes as a pension payable to a person aged between 55 and 60 years (see 'Taxation of payments' above).

9. Pensions already being paid as a result of the death of another person

If you are currently receiving your pension as a result of the death of another person, the following will apply from 1 July 2007:

- if you are aged 60 years or over, your payments will be tax-free
- if you are under 60 years of age, and the deceased was under 60 years of age at the time of his or her death, your payments will be taxable until you reach age 60 years (see 'Taxation of payments' above)
- if you are under 60 years of age, and the deceased was aged 60 years or over at the time of his or her death, your payments will be tax-free.

If you are under 60 years of age and your pension is being paid as a result of the death of another person who was aged 60 years or over at the time of his or her death, please speak with your financial adviser for further information or contact us to ensure your payments are tax-free from 1 July 2007.

10. Restrictions on paying death benefits as pensions

Where death occurs on or after 1 July 2007, death benefits can only be paid as a pension to your dependants for tax purposes. Refer to 'Taxation of death benefits paid as a lump sum' for the definition of a dependant for tax purposes.

If you have previously made a death benefit nomination in favour of a person who does not meet the above criteria (eg your adult child), we will be unable to pay the benefit to that beneficiary as a pension upon your death.

² An interdependency relationship is a close personal relationship between two people who live together, where one or both of them provide for the financial and domestic support and personal care of the other. An interdependency relationship may still exist if there is a close personal relationship but the other requirements are not satisfied because of some physical, intellectual or psychiatric disability.

³ An adult child is a dependant under superannuation law, but a non-dependant under taxation law.

Your 2006/07 annual statement that will be issued in July shows your nominated beneficiary details and provide an opportunity for you to review and, if necessary, update your nominated beneficiary details.

Please note that if you have previously made an 'automatic reversion' nomination, you will not be able to change your nomination for your current pension. However, you will be able to make a new automatic reversion nomination by closing your current pension and setting up a new pension with the new beneficiary nomination which satisfies the tax dependency requirements.

Please contact your financial adviser or Customer Relations for more information on 132 135.

If death occurs on or after 1 July 2007 and the death benefit is paid as a pension to a child of the deceased member, the child must:

- be under the age of 18 years; or
- be under the age of 25 years and be financially dependent on the member; or
- have a disability of the kind described in subsection 8(1) of the Disability Services Act 1986.

In addition, the pension must be commuted on or before the child's 25th birthday, unless the child has a disability as described above. The lump sum paid on commutation will be tax-free and no partial commutations will be possible.

11. Industry standard rollover process and form

From 1 July 2007, an industry standard 'Request to Transfer' form will be available to help you transfer or roll over your entire superannuation benefit from one superannuation fund to another.

The new form requires mandatory information to be provided to facilitate a transfer or rollover.

We require the following information to process your transfer or rollover:

- Proof of identify – for example, certified copies of either your Drivers Licence or Passport; and
- Superannuation fund details – details about your current fund such as your fund's name, member number, ABN⁴ and SPIN⁵.

Once you have provided the required information, new regulations allow superannuation funds 30 days (previously 90 days) to transfer or roll over your superannuation to a complying superannuation fund.

Once you roll over, you will receive confirmation from the fund you transfer from, known as a 'Rollover Benefit Statement'.

From 1 July 2007, a copy of the new 'Request to Transfer' form will be available through www.westpac.com.au including our new Easy Rollover Tool, your financial planner or by calling Customer Relations on 131 817.

Illiquid investments

An exception to this 30-day rule applies to illiquid investments if:

- the investment cannot be converted to cash in less than 30 days; or
- converting the investment to cash in less than 30 days would result in a significant adverse impact on its value.

Generally, an investment may be 'illiquid' because:

- the Trustee needs to receive the monies from the underlying fund manager

⁴ Australian Business Number

⁵ Superannuation Product Identification Number

- the investment has withdrawal restrictions; or
- the investment is subject to market liquidity constraints.

At present, there are no investments which the Trustee considers to be illiquid. However, this may change in the future. If it does, the Trustee will place a list of investments it considers to be illiquid on www.westpac.com.au.

From 1 July 2007 where you make an investment choice and the investment option you have chosen is 'illiquid', the Trustee may affect your transfer or rollover request within up to the maximum period stated on the website from receipt of your valid rollover request, provided you give your written consent to that longer period.

The Trustee has determined that it is a condition of the Trustee accepting an investment direction on or after 1 July 2007 that you give this consent. If we receive a request to switch or make contributions to an investment option that the Trustee considers to be illiquid, we will treat this as your written consent to the above.

OTHER IMPORTANT INFORMATION

12. Removal of transaction fee

Please note that until further notice, we waive our right to charge the fees for transactions made in excess of four (4) within any financial year (this includes transfers and rollovers to other super funds, as well as withdrawals and investment switches).

Note: You cannot switch between Option to pay contribution fees upfront (also known as Contribution fee) and Option to pay contribution fees later (also known as Nil Contribution Fee (NCF)) investment options and the Withdrawal fee if you withdraw from a NCF option within four (4) years, as detailed in the Product Disclosure Statement for the fund, still applies.

13. Anti-Money Laundering and Counter Terrorism Financing

The Anti-Money Laundering and Counter Terrorism Financing Act 2006 ('AML/CTF Act') was introduced in December 2006.

The Act regulates financial services and transactions to help detect and prevent money laundering and terrorism financing.

To meet regulatory and compliance obligations, the Trustee will be increasing the levels of control and monitoring it performs. You should be aware that:

- the Trustee may be required to carry out a procedure to verify your identity before providing services to you, and from time to time thereafter; and
- transactions may be delayed, blocked, frozen or refused where the Trustee has reasonable grounds to believe that the transaction breaches Australian law or sanctions or the law or sanctions of any other country; and
- where transactions are delayed, blocked, frozen or refused the Trustee and its correspondents are not liable for any loss you suffer (including consequential loss) howsoever caused in connection with Westpac Flexible Income Plan; and
- the Trustee may from time to time require additional information from you to assist the Trustee in this process.

The Trustee has certain reporting obligations pursuant to the Act. The legislation prevents the Trustee from informing you that any such reporting has taken place. Where legally obliged to do so, the Trustee may disclose the information gathered to regulatory and/or law enforcement agencies, including the Australian Transaction Reports and Analysis Centre ('AUSTRAC'), other banks, service providers or to other third parties.

We may also share this information with other members of the Westpac Banking Corporation Group.

14. Further information

For further information on these changes, please contact your financial planner, go to our website at www.westpac.com.au or call Customer Relations on 131 817, Monday to Friday 8:00 am to 6:30 pm (Sydney time).

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