

Release of "transition to retirement" regulations

05 April 2005

In the policy document "A more flexible and adaptable retirement income system" released on 25 February 2004, the Government announced a number of enhancements to the retirement income system. These enhancements further broaden the availability of superannuation, provide more choices in financing retirement income and make superannuation more adaptable to changing work arrangements.

One measure was to allow people to access their superannuation benefits from their preservation age in the form of a non-commutable income stream without having to retire or leave their job. On April 4, 2005 the Minister for Revenue and Assistant Treasurer, Mr Mal Brough, released regulations for this measure.

The Regulations introduce a new limited condition of release for benefits held in a regulated superannuation fund. The new limited condition of release allows benefits to be paid out in a specified form to a member who has attained their preservation age. The cashing restriction attaching to the limited condition of release allows benefits to be paid only in the form of a non-commutable annuity or pension, or a non-commutable allocated annuity or pension.

The new regulations include:

- Not capping the amount of benefits that can be accessed;
- Not imposing a work test;
- Allowing individuals to access the measure through the existing range of pension products (for example allocated pensions or market linked pensions), rather than creating a new pension product;
- Allowing individuals who purchase an allocated pension to stop (or commute) their income stream and return the benefits to their superannuation fund. This would benefit people who choose to return to full time work.

Under the new regulations, allocated pensions can't be commuted and cashed out as a lump sum while a person is still working. However once a person retires or reaches age 65, they will have the option to commute the allocated pension and access their full benefits.

The transition to retirement measure is expected to benefit employees and fund members by giving them more flexibility to develop strategies in their transition to retirement. For example, an individual may choose to continue working on a part-time basis, using part of their superannuation to supplement their employment income, instead of leaving the workforce altogether simply to access their superannuation.

The measure is not intended to provide people with a vehicle to dissipate their superannuation savings excessively before retirement. The regulations should therefore be consistent with the Government's policy principle that savings should be drawn down in a regular and orderly way over the course of retirement.

The Regulations commence on 1 July 2005.

For further information, see the Mariner website at < www.marinerfunds.com.au > or contact the Mariner Client Service Team on 1800 009 963.

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