



## **Extension of Transitional Arrangements for Small Funds**

7 June 2006

Treasury announced on Monday 6 June, 2005 that small funds providing defined benefit pensions will be offered an extension to the transitional relief currently available to them until 31 December 2005. Originally the transition period was to be until 30 June 2005.

The transitional arrangements mean that people who were small fund members on 11 May 2004 and who retire, will now have until 31 December 2005 to access lifetime and life expectancy pensions from their small funds. It is expected that this extension will be welcomed by retirees, giving them greater certainty about the range of income stream options available to them while the Government considers its response.

As part of the Government's initiative to improve the integrity of the superannuation system, the 2004-2005 Federal Budget announced measures to address schemes involving the use of defined benefit pensions by small funds. The measures sought to strengthen the prudential standards that apply to funds that provide defined pensions and benefits to ensure that these funds have the capacity to provide the benefit.

New regulations took effect from 12 May 2004. Under these new rules defined benefit funds and funds providing defined benefit pensions (pensions other than allocated pensions, term allocated pensions and pensions purchased from a life office) must have at least 50 members. The objectives of these measures were widely supported. However, the superannuation industry raised concerns with the means chosen.

On 5 August 2004, the Government announced a review of pensions provided by small funds. After initial submissions, Treasury released a discussion paper, "Review of the provision of pensions in small superannuation funds" which was available for comment until April 2005. The discussion paper outlines key issues with pensions in small funds and canvasses strategies to address the issues. Treasury was expected to report their recommendations to the Government in April 2005. However, the Government has announced that they are still considering the outcome of the review following the finalisation of the consultation process.

Analysis:

- The fact that the deadline has been extended beyond 1 July 2005 when the change in the definition of “condition of release” kicks in gives rise to a number of planning opportunities that were not there before;
- Deferring the deadline for a further 6 months is suggestive of an intent to address the issues in a more sophisticated manner. The further 6 months will give Treasury further time to formulate a proper means of addressing the issues without creating a statutory bias (in favour of life companies);
- Hopefully during the next 6 months there will be greater consultation with the industry surrounding these issues so as to avoid further legislative risk;
- Developing new rules for defined benefit pensions, or more specifically developing a new method for RBL calculations would solve a large part of the Government’s concerns. It will however be important to make sure that any further policy or legislative change arising does not lead to new product types or to unnecessarily complex changes to existing products.

**Note to the editors:**

Established in 2003, Mariner Financial Limited is an Australian-owned financial services company listed on the Australian Stock Exchange (ASX: MFI). Mariner's primary focus is servicing Australia's growing superannuation market by providing uniquely structured investment and retirement income solutions. It also provides strong branding and marketing, education and technical support, and a dedicated distribution capability to its subsidiary company, Mariner Retirement Solutions (ASX: MRT).

For further information, see the Mariner website at < [www.marinerfunds.com.au](http://www.marinerfunds.com.au) > or contact the Mariner Client Service Team on 1800 009 963.

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