Retirement Phase Pensions

Retirement Phase pensions are defined in the Income Tax Assessment Regulations (S307-80) and are income streams that have met a condition of release and include:

- Allocated Pension – Pension must be paid between legislated minimum and maximum pension based on the age of the pensioner and the member account balance (SIS Reg 1.06(4));
- Market Linked Pension – Pension must be paid within legislated limits based on the remaining term of the pension and the member account balance (SIS Reg 1.06(7) – also known as Term Allocated Pension); and/or
- Account Based Pension – Pension must be at least a minimum percentage of the member account balance (SIS Reg 1.06(9A).

Note transition to retirement pensions (ie a pension that can be taken out from a member's preservation age without meeting a condition of release under the Superannuation Industry (Supervision) Regulations 1994) do not meet the requirement to become a Retirement Phase pension.

For the above meeting a condition of relief includes:

- Ceasing employment on or after age 60;
- Terminal Medical Condition;
- Permanent Incapacity; and/or
- Attaining Age 65.

Segregated Assets
From 2007/18 year funds providing wholly Retirement Phase Pensions for a year have Segregated Current Pension Assets and are not required to obtain an actuarial certificate. Investment Income in such cases will be the amount of income that is produced by the segregated assets used to support the Retirement Phase Pensions.

Segregated Current Pension Assets (click on link for ITAA definition) essentially apply to superannuation funds where fund assets, and hence income, can be separately identified for pensioners and other members either collectively or individually.

Unsegregated Assets
From 2017/18 year if a fund is providing Retirement Phase pensions and other benefits simultaneously at any time during the year, the fund is required to obtain an annual actuarial certificate prepared under Section 295-390 of the Income Tax Assessment Act 1997.

The fund will be classed as unsegregated for any period in which it is not segregated. A change from 1 July 2017 onwards means that the tax exempt percentage on the actuarial certificate will only apply to periods where the fund is not segregated. For periods while the fund is segregated then 100% of investment income is tax exempt. This means that accountants will need to separate income for periods while the fund was segregated and unsegregated. Prior to 1 July the practice was to apply the tax exempt percentage to investment income over the whole year if assets were unsegregated at any time during the year.

Funds that are in non-pension mode and commence to pay a pension part of the way through a financial year will need to obtain an actuarial certificate unless the pension assets are segregated from the date of purchase of the pension. If this was the case then investment would be taxable until the date of purchase of the pension and tax exempt thereafter.

Complying (Defined Benefit) Pensions

Please contact PBA Super if you require a certificate for a fund providing a complying pension.

Complying pensions are pensions where the payments are made at least annually and the size of payments are fixed, subject only to specific variation. In addition, complying pensions must satisfy one of the following:

- Lifetime pensions - Pensions payable throughout the lifetime of the primary beneficiary, or a reversionary beneficiary, if any (SIS Reg 1.06(2)); or
- Life expectancy pensions - Pensions payable for a term equal to the beneficiary's life expectancy with payments subject to variation only in accordance with prescribed indexation limits (SIS Reg 1.06(6)); or
- Term certain pensions - Pensions payable for a term no less that 15 years and no greater than the beneficiary's life expectancy with payments subject to variation only in accordance with prescribed indexation limits (SIS Reg 1.06(7)).