

Prescribed Pensions

Prescribed pensions are defined in the Income Tax Assessment Regulations to be:

- 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 additional requirements apply for 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).

Unsegregated Assets

From 2007/08 year, funds providing Prescribed Pensions are required to obtain an annual actuarial certificate prepared under Section 295-390 of the Income Tax Assessment Act 1997 if the assets used to support any such superannuation fund pension liabilities cannot be segregated from those assets used to support the account balances of members in accumulation phase (ie non-pensioners). Prior to that time these certificates were required to be prepared under S283 of the Income Tax Assessment Act 1997.

Funds that 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 for the entire year of income.

The income that is exempt from tax is determined by an actuary based on the proportion of average current pension liabilities to its average superannuation liabilities.

Segregated Assets

From 2004/05 year funds providing Prescribed Pensions only, where assets are Segregated Current Pension Assets, are not required to obtain an actuarial certificate. Common examples of funds with segregated assets would be where all members are receiving a pension or where one member is receiving a pension and the other is pension phase with the assets being segregated into separate sub-funds for each account balance.

The income that is exempt from tax will be the amount of income that is produced by the segregated assets used to support the Prescribed 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.

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 than 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)).