



SELF-MANAGED INDEPENDENT SUPERANNUATION FUNDS ASSOCIATION

24 April 2017

Manager
Retirement Benefits Unit
Retirement Income Policy Division
The Treasury
Langton Crescent
PARKES ACT 2600

By email - superannuation@treasury.gov.au

Dear Madam/Sir

Superannuation reform package –minor and technical amendments

SISFA is pleased to make a submission to the exposure draft of the *Treasury Laws Amendment (2017 Measures No. 2) Bill 2017 (Bill)*.

SISFA's only comment in relation to the Bill relates to item 9.

SISFA is concerned with the current proposed approach of "auto converting" transition to retirement income streams (and equivalent pensions) (referred to in this submission as **TRISs**). Under the proposed approach a TRIS would automatically move into retirement phase when the member meets a full condition of release. SISFA's concern with this approach is twofold.

First, this would create a system of two types of TRISs, ones that are in retirement phase and ones that are not in retirement phase. This has the potential to be an "administrative nightmare" for both trustees and administrators. SISFA's preferred approach is for the legislation to permit TRISs to be converted into account based pensions. This will need to be effected through changes to the *Superannuation Industry (Supervision) Regulations 1994*. The regulations should also provide that, in the circumstance of a conversion part way through the year, any pensions payments for the TRIS will "carry over" to the account based pension for the purposes of ensuring the minimum pension payments are made.

Under this approach account based pensions would continue to qualify for retirement phase and TRISs would not.

Second, although SISFA can see the appeal of an auto-convert methodology to convert TRISs into account based pensions, SISFA can foresee some difficulties in this approach. While funds will be able to keep track of the turning 65 condition of release, they will not know about the other conditions of release unless the member tells them. Therefore, SISFA believes that the conversion of TRISs into account based pensions should be permitted and facilitated under the law but that such conversions should not occur automatically. This will mean affected members and trustees can convert a TRIS into an account based pension but only if they action it under the governing rules of the fund and the pension.

* * * * *

If you have any questions in relation to this submission, please contact Phil Broderick on 03 9611 0163.

Yours Faithfully

A handwritten signature in black ink, appearing to be 'Phil Broderick', written in a cursive style.

Phil Broderick, Chair of Technical Committee

Chris Balalovski, Chair