SELF-MANAGED INDEPENDENT SUPERANNUATION FUNDS ASSOCIATION

23 February 2018

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

By email - superannuation@treasury.gov.au

Dear Sir or Madam

Reversionary Transition to Retirement Income Stream Consultation Paper

SISFA is pleased to make a submission to the Reversionary Transition to Retirement Income Stream Consultation Paper **(Paper)** issued on 12 February 2018.

Proposed changes

SISFA is supportive of the Government's desire to fix what is clearly an unintended and inappropriate outcome where reversionary transition to retirement incomes streams (**TRISs**) cannot automatically revert to reversionary beneficiaries and/or will cease to be in retirement phase when it does revert.

The proposed legislation is an adequate solution to this issue.

Reviewing TRISs more broadly

SISFA encourages the Government to use this opportunity to review TRISs more broadly. The current regime (from 1 July 2017) is unsatisfactory in relation to TRISs.

This because:

- We now have two types of TRISs – those in retirement phase and those that are not;
- We have the complication of TRISs moving into retirement phase;
- We have the complication of some situations where TRISs move automatically into retirement phase (ie turning 65) and some situations where they only so move if the trustee is notified (eg retirement etc);
- TRISs are not ideal in a reversionary TRIS situation (as compared to an account based pension) as the 10% cap arguable will remain until the reversionary pensioner meets their own full condition of release – as compared to a death benefit account based pension which does not have such restrictions.
- There is confusion in the industry as to what constitutes a binding nomination of a reversionary pensioner.

Potential more holistic solutions to these TRIS issues include:

- Allowing TRISs to convert into account based pensions once the member has met a full condition of release or upon the death of the member (je avoiding the need to have TRISs move into retirement phase);
- Abolishing TRISs and replacing them with the ability for members, once they have reached their preservation age but have not yet met a full condition of release, to receive lump sums

provided that a member cannot receive lump sum(s) in any given year that are greater than 10% of their account balance at the start of that financial year.

It is submitted that either of these options would remove the complexity of TRISs moving into retirement phase.

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

Yours Faithfully

Phil Broderick, Chair of Technical Committee

Chris Balalovski, Chair