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Innovative Income Streams (IIS) issues raised by AMP for discussion

Summary of AMP's 'lifetime super' product

- When AMP refer to their 'accumulation phase' IIS they are referring to their lifetime super account. This product is technically a deferred lifetime income stream. However, it is marketed as a 'new type of accumulation account' designed to transition into a lifetime income stream upon retirement or age 65.
 - You can make contributions to and withdrawals from a lifetime super account and are not locked into commencing the actual income stream before retirement/age 65.
- There is no minimum age for a lifetime super account, but the maximum age to start is 64 years and 10 months.
- AMP's [PDS states](#) (7) that Government regulations do not allow the account to continue to be held by anyone who has met a nil cashing condition of release. This *appears* to be linked to the definition of retirement phase start day in SIS Reg 1.03 - for a deferred product, the CAS begins as soon as meet a Condition of Release (ECPI also begins) - it appears that their product, as designed, is unable to function in retirement phase, so they cease it as soon as retirement phase starts.
- Age pension benefit – AMP have designed their lifetime super product to capitalise on the age pension means testing of deferred superannuation products
 - Centrelink assets test is calculated on the purchase amount for deferred income stream products. In the case of lifetime super, this is the sum of all contributions made into the account, less withdrawals, compounded annually by the upper deeming rate.
 - With deeming rates at historical lows, this uprated purchase amount is likely to be much lower than the actual account balance.
 - When AMP refer to member's losing their accrued purchase amount, they mean members will lose the benefit of having a lower nominal purchase amount for Age Pension means testing – there is no actual loss of account balance.

Table of issues raised and Treasury questions and views

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| No. | Issue | Detail | Questions |
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| 1 | Members with an accumulation IIS meeting a condition of release – Leaving an employer after age 60 without the trustee's knowledge | Our legal team are leaning toward an interpretation that when someone meets this condition of release (CoR) without the trustee's knowledge, the date of the CoR is the date the employment ceased (which could be years ago), not the date the trustee was informed. This means the member is no longer entitled to stay in the accumulation-phase phase IIS after ceasing that employment arrangement, and so the income stream either has to be backdated to cease or backdated to move to retirement phase | <ol style="list-style-type: none">1. By what mechanism does AMP believe the Lifetime Super product cannot remain in accumulation phase after the member meets a condition of release? Is this a result of product settings, or a particular regulation?<ol style="list-style-type: none">a. When AMP says the product must move into retirement phase, what does this involve? |

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| | | <p>with the capital access applying. We require an application form to move to retirement phase (and we believe that's a Corporation's Act requirement), so we can't automatically start a backdated pension, so we have amended our trust deed to enable the trustee to automatically cease the income stream at CoR, even if the trustee is unaware at the time.</p> <p>We are comfortable that this approach is compliant (and we've discussed this with APRA), but it means that members in our Lifetime Super who change jobs after 60 lose their accrued purchase amount. Even with advance notice, it's almost impossible to get and implement advice within the allowable 14-day window after this CoR occurs. We discussed with APRA whether they have a relevant modification power here but they do not think so. Perhaps a simple fix is to treat this as per TTRs – the CoR does not occur unless the trustee is informed.</p> | <p>E.g. ECPI pr CAS starting, or the requirement to start paying?</p> <ol style="list-style-type: none"> Can AMP expand on what is meant by "losing their accrued purchase amount" if the accumulation stream is ceased? Does this result in any loss of overall capital for the member? Would AMP generally have the necessary information (e.g. payment location) to start a backdated pension, save for the application form requirement? [No proposing any change to that requirement] How widespread do you think this issue is for your members in this product? |
| 2 | Members with an accumulation IIS meeting a condition of release – Starting retirement phase before retiring and/or wanting to start retirement phase | <p>The most common example here is members turning 65 who do not intend to retire till 67. It seems odd to force these members to commence retirement phase (and restrict their access to capital) and is inconsistent with ordinary super. Plus, this approach comes at a cost to the taxpayer as their tax and Centrelink concessions start at the retirement phase. It would seem fairer and less costly to only commence the retirement phase when elected by the member – they won't have their capital restricted, but neither will they enjoy tax-free earnings or Centrelink concessions</p> | <ol style="list-style-type: none"> When you say 'Centrelink concessions', assume you mean that the value used for means testing purposes is the deemed capital value on commencement of retirement phase. |

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| 3 | Portability of IIS | <p>IIS portability is the right thing for the industry, both in accumulation and retirement phases. We understand that a number of funds are now contemplating IIS solutions following the launch on the AMP Super Fund.</p> <p>We previously discussed the commercial difficulties associated with the retirement phase, but I don't think the resolution of those issues needs to be legislatively solved in the first instance – simply allowing continuity of purchase amounts and the avoidance of the capital access schedule (for IIS to IIS transfers) would enable the industry to commence arrangements. Accumulation portability would likely be much simpler, with the only barrier being the carry-over of the purchase amount.</p> | <p>1. Has AMP considered how it would approach inward rollovers from IIS products with an entirely different structure to the AMP product?</p> |

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