Retirement Savings Accounts Amendment Regulations 2005 (No.)[1]

Select Legislative Instrument 2005 No.

I, PHILIP MICHAEL JEFFERY, Governor-General of the Commonwealth of Australia, acting with the advice of the Federal Executive Council, make the following Regulations under the *Retirement Savings Accounts Act 1997*.

Dated 2005

Governor-General

By His Excellency's Command

[DRAFT ONLY – NOT FOR SIGNATURE]
Minister for Revenue and Assistant Treasurer

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1 Name of Regulations

These Regulations are the *Retirement Savings Accounts Amendment Regulations 2005 (No.)*.

2 Commencement

These Regulations commence on 1 January 2006.

3 Amendment of *Retirement Savings Accounts Regulations 1997*

Schedule 1 amends the *Retirement Savings Accounts Regulations 1997*.

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Schedule 1 Amendments

(regulation 3)

[1] Paragraph 1.07 (2) (d)

omit

the payments

insert

for a pension that has a commencement day before 1 January 2006 — the payments

[2] After paragraph 1.07 (2) (d)

insert

(da) for a pension that has a commencement day on or after 1 January 2006 — the payments in a year, except a payment by way of commutation, are not larger or smaller in total than the following:

(i) for payments of a pension that has a commencement day during the period starting on 1 January 2006 and ending on 30 June 2006 — the respective maximum and minimum limits for the year calculated in accordance with 1 of the following Schedules:

(A) Schedule 1;

(B) Schedule 1A;

provided that, after a Schedule has been chosen, only that Schedule may be used for the payments in that year and all subsequent years;

(ii) for payments of a pension that has a commencement day on or after 1 July 2006 — the respective maximum and minimum limits for the year calculated in accordance with Schedule 1A.

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[3] Paragraph 1.07 (2) (e)

omit

before full commutation

insert

for a pension that has a commencement day before 1 January 2006 — before full commutation

[4] After paragraph 1.07 (2) (e)

insert

(ea) for a pension that has a commencement day on or after 1 January 2006 — before full commutation or transfer of the pension, a payment is made that is:

(i) for a pension that has a commencement day during the period starting on 1 January 2006 and ending on 30 June 2006 — at least equal to the minimum limit for the year calculated in accordance with which 1 of the following Schedules was chosen for the pension under paragraph 1.07 (2) (da):

(A) Schedule 1;

(B) Schedule 1A;

(ii) for a pension that has a commencement day on or after 1 July 2006 — at least equal to the minimum limit for the year calculated in accordance with Schedule 1A.

[5] After subparagraph 1.07 (3A) (a) (ii)

insert

(iia) if the pension has a commencement day on or after 1 January 2006 — the pension is paid at least annually to the primary beneficiary or reversionary beneficiary throughout a period that is not less than the period available under subparagraph 1.07 (3A) (a) (i), and not more than the greater of the following periods:

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(A) the maximum period available to the primary beneficiary under subparagraph 1.07 (3A) (a) (ii);

(B) the period of years equal to the number that is the difference between the age attained by the primary beneficiary at his or her most recent birthday before the commencement day, and 100; or

[6] Sub-subparagraph 1.07 (3A) (a) (iii) (C)

omit

subparagraph (i) or (ii)

insert

subparagraph (i), (ii) or (iia)

[7] Sub-subparagraph 1.07 (3A) (a) (iii) (E)

omit

day;

insert

day; or

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[8] After sub-subparagraph 1.07 (3A) (a) (iii) (E)

insert

(F) if the pension has a commencement day on or after 1 January 2006 — a period that is not less than the period available under sub-subparagraph 1.07 (3A) (a) (iii) (D), and not more than the greater of the following periods:

(I) the maximum period available under sub-subparagraph 1.07 (3A) (a) (iii) (E);

(II) the period of years equal to the number that is the difference between the age attained by the spouse at his or her most recent birthday before the commencement day, and 100;

[9] Subparagraph 1.07 (3A) (a) (iii)

omit

if the life expectancy of the spouse does not

insert

if the life expectancy of the spouse, or the period, does not

[10] Schedule 1, heading

substitute

Schedule 1 Payment limits for pensions with a commencement day before 1 January 2006

(subregulation 1.07 (2))

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[11] After Schedule 1

insert

Schedule 1A Payment limits for pensions with a commencement day on or after 1 January 2006

(subregulation 1.07 (2))

1. Subject to clauses 3 and 4, the maximum limits mentioned in paragraph 1.07 (2) (d) are determined under the formula:

$$\frac{AB}{PVF}$$

where:

AB means the amount in the RSA:

(a) on 1 July in the financial year in which the payments are made; or

(b) if that year is the year in which the pension payments commence — on the commencement day.

PVF means the maximum pension valuation factor set out in Column 3 of Table 1 in this Schedule in relation to the item in the Table that represents the age of the beneficiary (or, subject to clause 5, in the case of the death of the original beneficiary, the age of the reversionary beneficiary) on:

(a) 1 July in the financial year in which the payments are made; or

(b) if that is the year in which the pension payments commence — the commencement day.

2. Subject to clauses 3 and 4, the minimum limits mentioned in paragraph 1.07 (2) (d) or (e) are determined under the formula:

$$\frac{AB}{PVF}$$

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where:

AB means the amount in the RSA:

(a) on 1 July in the financial year in which the payments are made; or

(b) if that year is the year in which the pension payments commence — on the commencement day.

PVF means the minimum pension valuation factor set out in Column 4 of Table 1 in this Schedule in relation to the item in the Table that represents the age of the beneficiary (or, subject to clause 5, in the case of the death of the original beneficiary, the age of the reversionary beneficiary) on:

(a) 1 July in the financial year in which the payments are made; or

(b) if that is the year in which the pension payments commence — the commencement day.

3. For a calculation of the maximum or minimum limit in the year in which the commencement day of the pension occurs if that day is a day other than 1 July, the appropriate value set out in Column 3 or Column 4 of Table 1 or Table 2, as the case requires, in this Schedule must be applied proportionally to the number of days in the financial year that include and follow the commencement day.

4. An amount determined under the formula that is not evenly divisible by 10 is to be rounded to the nearest amount that is so divisible.

5. If the reversionary beneficiary mentioned in clause 1 or 2 is a child beneficiary at the time of the first payment, the maximum and minimum pension valuation factors set out in Column 3 and Column 4 of Table 2 in this Schedule must be used.

6. In the case of a reversionary beneficiary mentioned in clause 1 or 2, the maximum and minimum limits for reversionary benefits must be calculated:

(a) on or before the 1 July next after the death of the original beneficiary; or

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(b) if the death of the original beneficiary occurs in the period from 1 April to 30 June (inclusive) in a year, recalculation may be extended beyond 1 July in that year to 1 July in the following year.

7. For the purposes of clause 5, a reversionary beneficiary is a child beneficiary until:

(a) his or her 16th birthday; or

(b) if the reversionary beneficiary is a full-time student at age 16 — the earlier of:

(i) the end of his or her full-time studies; or

(ii) his or her 25th birthday.

Table 1

Factors for allocated pensions — general

Item	Age of Beneficiary	Maximum Pension Valuation Factor	Minimum Pension Valuation Factor
1	20 or less	12.0	29.2
2	21	12.0	29.0
3	22	12.0	28.9
4	23	12.0	28.7
5	24	12.0	28.6
6	25	12.0	28.4
7	26	12.0	28.3
8	27	12.0	28.1
9	28	12.0	27.9
10	29	12.0	27.8
11	30	12.0	27.6
12	31	12.0	27.4
13	32	12.0	27.2
14	33	12.0	27.0
15	34	12.0	26.8
16	35	12.0	26.6

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Item	Age of Beneficiary	Maximum Pension Valuation Factor	Minimum Pension Valuation Factor
17	36	12.0	26.4
18	37	12.0	26.2
19	38	12.0	26.0
20	39	12.0	25.8
21	40	12.0	25.5
22	41	12.0	25.3
23	42	12.0	25.0
24	43	12.0	24.8
25	44	12.0	24.5
26	45	12.0	24.2
27	46	12.0	24.0
28	47	12.0	23.7
29	48	12.0	23.4
30	49	12.0	23.1
31	50	12.0	22.8
32	51	11.9	22.5
33	52	11.8	22.2
34	53	11.8	21.8
35	54	11.7	21.5
36	55	11.5	21.1
37	56	11.4	20.8
38	57	11.3	20.4
39	58	11.2	20.1
40	59	11.0	19.7
41	60	10.9	19.3
42	61	10.7	18.9
43	62	10.5	18.5
44	63	10.3	18.1

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Item	Age of Beneficiary	Maximum Pension Valuation Factor	Minimum Pension Valuation Factor
45	64	10.1	17.7
46	65	9.9	17.3
47	66	9.6	16.8
48	67	9.3	16.4
49	68	9.1	16.0
50	69	8.7	15.5
51	70	8.4	15.1
52	71	8.0	14.6
53	72	7.6	14.2
54	73	7.2	13.7
55	74	6.7	13.3
56	75	6.2	12.8
57	76	5.7	12.3
58	77	5.1	11.9
59	78	4.5	11.4
60	79	3.8	10.9
61	80	3.1	10.5
62	81	2.3	10.0
63	82	1.4	9.6
64	83	0	9.1
65	84	0	8.7
66	85	0	8.3
67	86	0	7.9
68	87	0	7.5
69	88	0	7.2
70	89	0	6.9
71	90	0	6.6
72	91	0	6.3

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Item	Age of Beneficiary	Maximum Pension Valuation Factor	Minimum Pension Valuation Factor
73	92	0	6.0
74	93	0	5.8
75	94	0	5.5
76	95	0	5.3
77	96	0	5.1
78	97	0	4.9
79	98	0	4.7
80	99	0	4.5
81	100 or more	0	4.4

Example

Clive Long, who turns 65 on 8 February 2006, invests $100,000 in an allocated pension fund on 1 March 2006. The date of the first payment to Mr Long is 1 April 2006.

2005/06: The maximum and minimum payments for 2005/06 are based on:

(a) the account balance on the day of purchase; and

(b) the beneficiary's age of 65 on the day of purchase:

$$\frac{\$100,000}{9.9} \times \frac{122}{365} = \$3,376.23 \text{ (maximum limit, rounded to \$3,380)}$$

$$\frac{\$100,000}{17.3} \times \frac{122}{365} = \$1,932.06 \text{ (minimum limit, rounded to \$1,930)}$$

Assume that total payments to Mr Long at 30 June 2006 are $3,000.

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2006/07: The maximum and minimum payments for 2006/07 are based on:

(a) the account balance on 1 July 2006 which is $99,300 (residue $97,000 + earnings of $2,300); and

(b) the beneficiary's age of 65 on 1 July 2006:

$$\frac{\$99,300}{9.9} = \$10,030.30 \text{ (maximum limit, rounded to } \$10,030)$$

$$\frac{\$99,300}{17.3} = \$5,739.88 \text{ (minimum limit, rounded to } \$5,740)$$

Table 2

Factors for allocated pensions — child beneficiary (reversion)

Item	Age of Beneficiary	Maximum Pension Valuation Factor	Minimum Pension Valuation Factor
1	0	9.3	17.4
2	1	9.1	16.9
3	2	8.7	16.4
4	3	8.4	15.9
5	4	8.0	15.4
6	5	7.6	14.8
7	6	7.2	14.3
8	7	6.7	13.7
9	8	6.2	13.1
10	9	5.7	12.4
11	10	5.1	11.8
12	11	4.5	11.1
13	12	3.8	10.5
14	13	3.1	9.7
15	14	2.3	9.0
16	15	1.4	8.3
17	16	0	7.5
18	17	0	6.7

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Item	Age of Beneficiary	Maximum Pension Valuation Factor	Minimum Pension Valuation Factor
19	18	0	5.9
20	19	0	5.1
21	20	0	4.2
22	21	0	3.3
23	22	0	2.4
24	23	0	1.5
25	24	0	1.0

[12] Schedule 4, after clause 7

insert

8. An amount is taken to have been determined in accordance with clause 1 of this Schedule if the amount is:

(a) not less than the amount determined in accordance with clause 1 of this Schedule, less 10 per cent of that amount; and

(b) not greater than the amount determined in accordance with clause 1 of this Schedule, plus 10 per cent of that amount.

Note

1. All legislative instruments and compilations are registered on the Federal Register of Legislative Instruments kept under the *Legislative Instruments Act 2003.* See www.frli.gov.au.

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