



Appendix D—Glossary of terms

Age Pension	A means tested government payment to individuals and couples over the age of 65 (men) and 63 (women, increasing to 65 over time). It ensures a minimum level of income in retirement.
Annuities	A series of payments purchased with a lump sum, usually from a life insurance company.
Assessable income	Gross income including salary and wages, dividends, interest and rent before any deductions are allowed. Assessable income also includes net capital gains, ETP and other amounts that are not ordinarily classed as income.
ATO	Australian Taxation Office
Australian Prudential Regulation Authority (APRA)	One of the Federal Government agencies which regulates superannuation funds and other bodies in the financial sector, ensuring they operate within the requirements of retirement income legislation.
Australian Securities and Investment Commission (ASIC)	ASIC is the Australian Government organisation which collects information on public and private companies and other corporate bodies registered under the Corporations Law in Australia.
Beneficiary	A person entitled to, or in receipt of, a benefit under a fund, which is normally the member and/or his/her financial dependants.

Benefit	The amount of a member's entitlement in the fund to which the estate and/or dependants are entitled.
Co-contribution	<p>The government makes a co-contribution of \$1.50 to an eligible person's superannuation account for each \$1.00 of undeducted contributions the person makes.</p> <p>An eligible person is someone who is less than 71 years old, has an income of less than \$58 000 of which 10 per cent or more is attributable to eligible employment.</p> <p>The maximum co-contribution of \$1500 is payable to someone with an income of \$28 000 or less who has made a personal contribution of at least \$1000. The maximum co-contribution phases down at the rate of five cents for each dollar of income over \$28 000.</p>
Commute	Converting all or part of a pension into a lump sum.
Complying superannuation funds	A superannuation fund that has elected to be regulated under the <i>Superannuation Industry (Supervision) Act 1993</i> .
Deductible amount	The part of the members pension received which represents a return of a portion of the undeducted purchase price. This is deducted from their taxable pension income. This tax-free part is called the deductible amount.
Eligible termination payment (ETP)	An ETP is a lump sum superannuation benefit or similar payment made to a person because they, or another person, were a member of a superannuation fund, Approved Deposit Fund (ADF) or a depositor with a Retirement Savings Account (RSA). ETPs also include payments made to an employee in consequence of termination of employment. ETPs can be rolled over into another superannuation fund, ADF or RSA.
Employee	A person who receives salary or wages.
Employer	A person (or group) who pays people salary or wages.
Exempt income	Income that is not assessable, that is, it is not taxed.
Income	The amount of money earned from personal exertion and investments.

Lost Members Register (LMR)	The LMR is a central register of lost superannuation fund members and RSA holders administered by the ATO.
Lump sum	A capital amount payable as a single lump sum amount or by instalments, for example, an ETP. This can be contrasted with a pension or annuity which is a series of payments that are in the nature of income rather than capital.
Median Earnings	The level of earnings that has an equal number of employees earning above it as below it. Currently approximately \$40 000 per annum.
Pension	A series of regular payments made as an income stream which, for example, may be provided by a superannuation fund or RSA (excludes “age pension”).
Preserved benefits	Generally, preserved benefits must be retained in a superannuation fund, ADF or RSA until the member has met a condition of release under the <i>Superannuation Industry (Supervision) Act 1993</i> . A condition of release is satisfied when a member has reached at least age 55 and retired from all employment prior to age 65. At age 65 there is no restriction on the payment of the benefit. If a member has not attained their preservation age and permanently retired, the benefit can be paid where it is as a result of the members death, disablement, severe financial hardship or because of compassionate reasons.
Privacy Act	An Act of Parliament which among other things protects Tax File Numbers against misuse.
Reasonable Benefit Limits (RBLs)	RBLs are the maximum amount of retirement and termination of employment benefits that individuals can receive over their lifetime at concessional (reduced) tax rates. Benefits greater than a persons RBL limit are taxed at the highest personal income tax rate. There are two types of RBLs – a lump sum RBL and a pension RBL.
Retirement Savings Accounts (RSAs)	An RSA is an account that provides low cost and low risk savings. It is offered by banks, building societies, credit unions, life insurance companies and prescribed financial institutions (RSA providers). It is used for retirement savings.

Rollover	A rollover is the transfer of all or part of an ETP into a complying superannuation fund, complying ADF, RSA or towards purchase of an annuity from a life insurance company or registered organisation.
Self managed superannuation funds (SMSFs)	<p>A self managed superannuation fund (SMSF) is a complying superannuation fund under the <i>Superannuation Industry (Supervision) Act 1993</i> which has:</p> <ul style="list-style-type: none"> ■ fewer than five members; ■ each individual trustee of the fund is a fund member; ■ each member of the fund is a trustee; and ■ no member of the fund is an employee of another member of a fund, unless those members are related. <p>If the trustee of the fund is a body corporate each director of the body corporate is a member of the fund.</p>
Superannuation	A system where money is placed in a fund to provide for a persons retirement.
Superannuation fund	A fund which invests members funds to provide for their retirement.
Superannuation Guarantee (SG)	A prescribed minimum level of superannuation required under the <i>Superannuation Guarantee (Administration) Act 1992</i> that an employer must contribute for employees. The employer can avoid paying the Superannuation Guarantee Charge if sufficient superannuation contributions are made to a complying superannuation fund or RSA.
Superannuation Guarantee Charge (SGC)	A charge imposed under the <i>Superannuation Guarantee Charge Act 1992</i> on employers who do not meet the minimum superannuation guarantee requirements on behalf of employees.
Superannuation Holding Accounts Reserve (SHAR)	A reserve administered by the ATO whereby employers may make superannuation contributions for their employees in instances where the employer is unable to locate a superannuation fund account or RSA for the employee.

<i>Superannuation Industry (Supervision) Act 1993</i>	The legislation providing prudential standards for superannuation funds. The legislation is administered by three regulators, the ATO, ASIC and APRA. The ATO is responsible solely for the administration of SMSFs.
Superannuation plan (the)	In this report refers to the The Treasury's <i>A Plan to Simplify and Streamline Superannuation</i> . On 10 May 2006 the government announced a significant number of measures impacting on superannuation and retirement incomes generally. These are summarised in Appendix E.
Superannuation surcharge	A surcharge (tax) of up to 15% imposed on certain superannuation contributions, specified rollover amounts, and termination payments (now repealed).
Spending replacement rate	The ratio of an individuals income or spending power after retirement to that before retirement.
Tax File Number (TFN)	A unique number issued by the ATO to individuals and organisations to increase the efficiency administering tax and other Commonwealth Government systems such as Income Support payments.
Tax offset	An entitlement which reduces the amount of income tax to be paid.
Undeducted contributions	Contributions for which a person has not claimed a tax deduction. Commonly known as after-tax contributions, personal contributions and member contributions. These are not assessable income when returned to the member.
Undeducted purchase price	The amount a member contributes towards the purchase price of a pension for which they did not claim a tax deduction (for example, undeducted contributions).

