MANAGED AUSTRALIAN RETIREMENT FUND

2 July 2009

Dear Member,

Subject: Managed Australian Retirement Fund (MARF)
2009 Federal Budget Update

The 2009/2010 Federal Budget incorporated a number of changes affecting retirement incomes (including super), employee benefits and health insurance.

The changes from a superannuation and retirement incomes perspective include:

- **A phased increase in the age pension age to 67 by 2023**
- **Reductions in the level of superannuation contributions subject to concessional tax treatment**
- **A temporary reduction in the level of Government co-contributions**
- the transfer of certain inactive superannuation accounts and small lost accounts to unclaimed monies (held by the Australian Taxation Office)
- **an extension of the temporary draw down relief for account-based pensions**
- an in principle agreement to provide for the ability to transfer benefits between certain Australian and New Zealand superannuation schemes.

More information is provided below on the main issues affecting superannuation (highlighted above).

Age Pension Age Increase

The qualifying age for the Age Pension will gradually increase from 65 to 67 by 2023 - increased by six months every two years, commencing from 1 July 2017 and reaching 67 on 1 July 2023.

The qualifying age for the Veterans' Service Pension will remain at 60.

The table below shows how the age pension age will change:

Date	New age pension age	Affects people born	When group reaches new age pension age
1 July 2017	65 years & 6 months	1 July 1952 to 31 December 1953	1 January 2018 to 30 June 2019
1 July 2019	66 years	1 January 1954 to 30 June 1955	1 January 2020 to 30 June 2021
1 July 2021	66 years & 6 months	1 July 1955 to 31 December 1956	1 January 2022 to 30 June 2023
1 July 2023	67 years	From 1 January 1957	From 1 January 2024

Contributions

Instead of increasing to $55,000 from 1 July 2009 as currently legislated, the current limit of $50,000 on concessional (pre-tax and salary sacrifice) contributions will be reduced to $25,000 in 2009/10. The transitional concessional contributions cap of $100,000 for those over 50 (applies until 30 June 2012), will be reduced to $50,000 per annum.

Indexation will apply to the $25,000 cap but not to the $50,000 transitional cap.

The annual cap on non-concessional (after-tax) contributions will remain at $150,000 for the 2009-10 financial year, instead of being indexed to $165,000 as previously announced. In the future, the cap will be calculated as six times the level of the (indexed) concessional contributions cap.

What this means for you

- You will need to review salary sacrifice arrangements having regard to the new limits applicable from 1 July 2009 to ensure that you do not exceed the new limits.
- You may need to review your planned arrangements for retirement funding.

Government co-contributions

The Government will temporarily reduce the matching rate and maximum co-contribution that is payable on an individual's eligible personal non-concessional (after-tax) superannuation contributions, with effect from 1 July 2009.

- Co-contributions currently apply for incomes up to $60,342 pa, but the maximum co-contribution reduces for incomes above the threshold of $30,342 pa (indexed for future years).
- From 1 July 2009 to 30 June 2012 the matching rate will reduce from 150% to 100%, with a maximum co-contribution of $1,000, reduced by 3.333 cents for each dollar of total income over the threshold.
- From 1 July 2012 to 30 June 2014 the matching rate will increase to 125% with a maximum co-contribution of $1,250 reduced by 4.167 cents for each dollar of total income over the threshold.
- From 1 July 2014 onwards the matching rate will increase back to 150% with a maximum co-contribution of $1,500 reduced by 5 cents for each dollar of total income over the threshold.

Although temporarily reduced, the co-contribution system remains a valuable incentive to employees to save for their retirement.

Account based pensions

The minimum income amount that must be paid from account based pensions will be halved for the 2009/10 financial year, which is an extension of the provision that was introduced in February for the 2008/09 financial year.

Pensioners will be able to reduce the amount of income they receive from their account based pension. In some cases this may also result in an increase in their Age Pension entitlement.

If you would like any further information about any of these topics, please call the Member Service Team on (07) 3391 5055.

CCSL Limited
Trustee of the Managed Australian Retirement Fund