
APPENDIX H: GLOSSARY

Allocated Pension	A pension where the member has his own account against which pension payments are debited and to which any investment earnings are credited. The pension will continue until the death of the pensioner, or until the account is exhausted. Upon death, any balance remaining in the account is paid to a designated beneficiary as a (taxable) lump sum payment, or is applied to secure further pension payments to a surviving spouse.
Annuity	A regular periodic payment to a person (cf pension). Where weekly, fortnightly or monthly payments out of a superannuation fund are involved, the expression 'pension' is more commonly used.
Approved Deposit fund (ADF)	A fund which has the purpose of holding lump sum superannuation benefits rolled over for the purpose of maintaining the concessional taxation treatment until the taxpayer attains preservation age.
Arms' Length	A term which refers to the relationship between the employer company and the members of a superannuation fund. If the members of the fund are employees of the sponsoring company, an arms' length fund is said to exist.
Commutation	Term used to describe the process whereby one type of superannuation benefit is commuted (changed) to another type, for example conversion from a pension to a lump sum.
Defined Benefits Fund	A superannuation fund that contracts to pay a member a fixed or defined amount of money that is linked to the salary level.
Deferred Annuity	An annuity under which the payments are

delayed by a specified period or to the date of occurrence of a specified event.

Eligible Termination Payments (ETP)

Payments made to employees leaving employment. They include payments from a superannuation fund or other inducements to retire but exclude accrued annual and long service leave.

Life Office

A firm which sells life insurance and other insurance products, for example, life cover, super bonds, annuities and superannuation.

Life Policy

A contract of insurance agreed to when a person purchases life insurance.

Lump Sum

The amount which is paid to a retiree at the time of retirement (as opposed to a pension for life).

Master Trust

A trust arrangement which allows a single trustee appointed by the promoter of the fund to administer and manage the superannuation funds paid by a number of employers and employees.

Maximum Deductible Contribution Limit (MDCL)

A rule which places a cap on the level of superannuation contributions which employers or members can make for employees. When this limit is exceeded, the fund is deemed to be non-complying and loses concessional tax status.

Portability

Allowing a superannuation plan to be transferred from one fund (or one employer) to another.

Preservation

Maintenance of a member's entitlements in a superannuation until a specified minimum age (usually at least 55 years).

Prudential Controls

The measures instituted to supervise and control activities in the superannuation industry to ensure the security of contributor's funds.

Reasonable Benefits Limit (RBL)	The maximum limit on the amount a member can receive from superannuation, ADFs or DAFs, with preferential taxation treatment. The limit can be calculated from a member's highest average salary.
Repatriation of Surplus	The act of transferring surplus assets in a superannuation fund to the sponsoring employer.
Rollover Funds	The funds in which eligible termination payments are deposited when a person leaves or changes employment. These funds are preserved until retirement age is reached. Rollover funds receive concessional tax treatment in that the tax liability is deferred until retirement age.
Securities	Financial instruments which are evidence of debt or of property. Bonds, certificates of stock and shares are documents which indicate the existence of a security.
Superannuation Fund	A fund designed to produce retirement benefits for members. To attract tax concessions, it must have these characteristics: (a) be indefinitely continuing, and (b) be maintained solely for following purposes: provision of benefits for fund members, or for dependants of each member in the event of death, or any other purpose allowed by the Insurance and Superannuation Commission in writing.
Surplus	A position reached in a superannuation fund whereby the accrued earnings and contributions exceed the funds accumulated liabilities.
Trust	A fiduciary relationship in which one person (the trustee) holds the title to property for the benefit of another (the beneficiary).
Trust Deed	The legal document which appoints trustees and defines their power.

Trustee	A person, usually one of a body of persons, appointed to administer the affairs of a company, institution, etc, who holds the title to property for the benefit of another.
Unfunded Scheme	A superannuation scheme where the employer has not contributed to match liabilities, that is, benefits payable to members as they accrue. Instead, payments are made to members when they are due.
Undeducted Purchase Price	In relation to an annuity or superannuation pension, that portion of monies used to purchase the annuity or pension which has not been claimed as a deduction.
Vesting	Conferring on a superannuation fund member the ownership of all or part of the accrued benefit applicable to that member.