

Personal Superannuation Plans – Withdrawals and Transfers

Can you withdraw funds?

If you are a member of a Personal Superannuation Plan ("Plan"), registered under the Superannuation Schemes Act 1989 ("the Act"), your ability to withdraw funds will be governed by the provisions of the **Plan's trust deed**.

Generally, the Plan's trust deed will prevent a member from withdrawing funds until a specified age, or for a specified number of years. This is often referred to as the **locked-in period**.

Although the precise details vary from Plan to Plan, a benefit can usually be paid before the end of a locked-in period on the member's:

- death;
- total and permanent disablement ("TPD");
- permanent emigration; and
- financial hardship.

The Plan's trust deed usually gives the trustee **absolute discretion** to pay a benefit on grounds of TPD, permanent emigration or financial hardship. Where this is the case, the Plan's trustee will set guidelines, on the basis on which it is prepared to make a payment. These can vary from Plan to Plan.

Where a payment is made at the discretion of the trustee, it is generally difficult to challenge a trustee's decision to decline a request for funds to be released during a locked-in period.

Can you transfer to another Plan?

The Plan's trust deed will usually include provision for benefits to be transferred to another registered superannuation scheme, but also usually gives the Plan's trustee absolute discretion to approve the transfer. One of the normal requirements is that the lock-in arrangements in the other scheme cannot be less strict than those applying in the current Plan. In some cases, a transfer request may not be permitted, because the Plan's trust deed only permits funds to be transferred to another Plan with the same company.

Where the Plan's trustee has absolute discretion to permit a transfer to another scheme, it is generally difficult to challenge a trustee's decision to decline a request for funds to be transferred during a locked-in period.

Impact of charges and investment returns

If benefits are not locked in, or the Plan's trustee allows funds to be withdrawn or transferred to another scheme during the locked-in period, the charges applied and the investment returns may mean that the amount transferred is less than the contributions paid. The extent to which this is the case will vary according to factors such as:

- the level of charges made;
- the type of fund/s in which contributions are invested; and
- the time the Plan has been in force.

Tips

1. When arranging a Personal Superannuation Plan make sure you understand:
 - the charges associated with the Plan and their impact, if funds are withdrawn before retirement;
 - whether benefits are locked in and, if so, for how long;
 - the circumstances in which withdrawals will be permitted during any locked-in period and how the Plan's trustee will determine if benefits can be withdrawn in these circumstances; and
 - whether the Plan's trustee will permit transfers to another Plan or registered superannuation scheme and, if so, the circumstances in which a transfer will be permitted.

2. Generally, there is very little the ISO can do to assist consumers with complaints about a Plan's trust deed. In certain limited circumstances, complaints can, however, be made to the Government Actuary. (The Government Actuary's concern is limited to determining if the Plan's trustee has acted in accordance with the Act and the Plan's trust deed. Where the Plan's trustee has the absolute discretion to permit a withdrawal, or to allow a transfer to another scheme, the Government Actuary would generally not be able to challenge a trustee's decision to decline a request for funds to be withdrawn, or transferred, during a locked-in period.)

For information about making a complaint to the Government Actuary, contact:

Government Actuary
Insurance & Superannuation Unit
Ministry of Economic Development
PO Box 10 867
WELLINGTON

Telephone: 04 913 3651
Fax: 04 913 3652
Email: isu@isu.govt.nz
Website: www.isu.govt.nz



Insurance & Savings Ombudsman
P O Box 10-845
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