Actuarial Certificate Quick Guide

Exempt Ratio Percentage Calculation

Where a fund has both unsegregated Pension and Accumulation accounts at any time during the year an Actuarial Certificate is required to confirm the Exempt Ratio Percentage. This is simply the percentage of the fund income that relates to the pension. This is based on the average balances as calculated by the actuary from the information input.

To calculate the Exempt Ratio Percentage, the actuary requires the below minimum information:

1 Fund Balance details

Ideally closing balance figures should be the balances exclude the impact of income tax, but using post tax calculations (say directly from your software calculated account balances will provide a close approximation). Ensure whatever method you use you apply it consistently so that you would be able to reconcile member accounts to the overall fund account

The Fund Balance at the start of the year

- This includes BOTH Accumulation and Pension accounts for the fund.
- For funds that have been running for the full year, this should be the Net Assets directly from the Prior year Balance Sheet
- If the fund was started after 1 July, enter zero dollars.

The estimated Fund Balance at the end of the year

- This includes BOTH the Accumulation and Pension accounts for the fund.
- The estimated fund account balance should, if possible, exclude the tax on investment income. You can, if necessary, use after tax balances calculated automatically by your software. The results may be slightly different but unlikely to be material.
- If the fund was ceased operations at any date during the year, enter zero dollars.

The difference must be the cash flow (and any income if included) for the whole fund

Fund Details

Please ensure the name of the fund is as set out in the trust deed e.g. ABC Superannuation Fund not ABC Super Fund.

Name of Fund	Actuarial Process		
Trustee Name	AP Pty Ltd		
Fund Balance Start of Year	500000.00	Fund Balance End of Year	540000.00

This will enable us to calculate the cashflow (plus income if included) for the whole fund

2 Pension Account Balance and dates

Pension Details

We need to understand the dates of commencement or cessation of pensions because if the pension did not run for the full year then it is not entitled to exempt income for the full year. Another way to look at this is that the average balance of the pension is lower if it was based on say 9 Months instead of 12.

Pension Commencement Date

If the pension commenced prior to the start of the year you can just select 30 June (ie the day before the start of the financial year)

Pension Cessation Date

If the pension did not cease during the year you can leave the Pension Cessation Date blank

Pension Account Balances

Next we complete the Begin and End Account Balances of the Pension Account at the above dates. This will enable us to work out:

a) the cash flow for the pension and,
b) by deduction, the accumulation member balance and cash flow (the difference between fund and Pension must be the accumulation amounts)

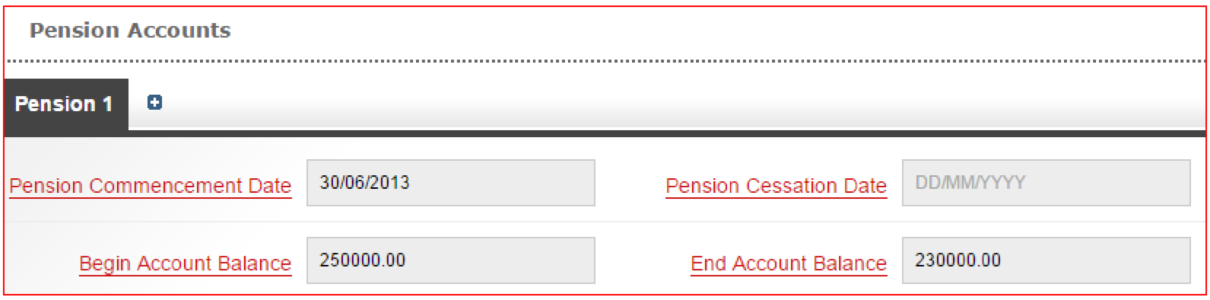
.Begin Account Balance

- if the pension was started in a prior year, simply enter the closing balance at 30 June in the prior year
- If the pension started during the year, enter the total initial amount used to start the pension.

End Account Balance

Input the estimated final account balance:

- If the pension ended during the year, enter the closing balance at the cessation date (not zero).
- There is no need to adjust the estimated pension account balance for the tax on investment income.



3 Major Cash Flows

Unless otherwise specified we assume that all cash flows occur evenly during the year (so we assign a weighting of 0.5 to all cash flows). Any Cashflows that are close to the midpoint of the period, or are spread evenly during the period – eg Monthly Contributions or regular pension payments may not impact the calculation as their weighting is already assumed to be 0.5.

If there are large *one-off* cash flows then, if they have a significantly higher or lower weighting, can have an effect on the average balance calculation. We need to weight these cash flows so that cash flows early in the period have more weight than cash flows late in the period. (a bank deposit on 2 July 2014 will earn more interest in 2014/15 than the same amount deposited on 28th June 2015)

Cash flows less than 5% will generally not have a material impact on the average balance calculation no matter when they occur.

Inputting the date, type and amount of major cashflows as per the below list will allow for a more accurate calculation

If in any doubt you can simply include any cashflows you wish. This will make the calculation more accurate.

Major Cash Flows

	Date	Transaction Type	Cash Flow Amount	
1	01/07/2013	One-off pension payment over 5% of the Fund	20000.00	Delete
2	30/06/2014	Non-concessional contribution	60000.00	Delete

Below are examples of the type of cashflows to include. NOTE Contribution amounts should be net of any contributions tax

1. Rollover from another superannuation fund
2. Full transfer of pension account to another superannuation fund
3. One-off pension payment over 5% of the fund
4. Full commutation of pension paid to beneficiary
5. Partial commutation of pension paid to beneficiary
6. Accumulation account transfer to other superannuation fund
7. Accumulation sum paid to beneficiary
8. Concessional Contribution
9. Non-concessional Contribution
10. Partial transfer from pension to accumulation

Example

AP Super Fund

Opening Balance	1/7/2013	$500,000
Plus Unded Contribution	30/06/2014	$ 60,000
Less Pension Payment	01/07/2013	-$ 20,000
Closing Balance	30/06/2014	$540,000

Mr A Pensioner

Pension commenced	01/07/2010	
Opening Balance	30/06/2013	$250,000
Less Pension Payment	01/07/2013	-$ 20,000
Closing Balance Pension	30/06/2014	$230,000

Average calculation including weighting adjustments

Average balance adjusted for major Cashflows weighted for days in fund over total days in period

Pension Payment 20,000, paid 1/7/2013

(Weighting = 365 days in fund / 365 total days = 1)

Contribution Received $60,000 received on 30/6/2014

(Weighting = 0 Days in fund / 365 total days = 0)

Average Balance of fund	= $500k – ($20k * 1) + ($60k * 0)	= $480,000
Average Balance of Pension	= $250K – ($20k * 1)	= $230,000

On this basis the tax exempt proportion would be ($230K / $480K) = 47.92%

Assuming the fund earned $40,000 income, then 47.92% of the fund income would be exempt from tax

Actarial Certificate

Job Details > Form > Review

Overview

Fund Name	Actuarial Process
Trustee Name	AP Pty Ltd
Fund Balance Start of Year	$500,000
Fund Balance End of Year	$540,000

Pension Accounts

	Commencement Date	Begin Account Balance	Cessation Date	End Account Balance
Pension 1	30/06/2013	$250,000	-	$230,000

Major Cash Flows

Date	Transaction Type	Amount
01/07/2013	One-off pension payment over 5% of the Fund	$20,000
30/06/2014	Non-concessional contribution	$60,000

Exempt Ratio: 47.92%

Notes

- Calculations are approximate
- Income is assumed to be Zero. However, Calculations can be done inclusive of income allocated if member balances including interest are available.