



## 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:

- Fund Balance Details
- Pension Account Balance and Dates, and
- Major Cash Flows.

### Fund Balance Details

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

#### Fund Balance at the Start of the Year

- Include both **Accumulation** and **Pension** accounts for the fund
- For funds which have run for the full year, the starting balance can be taken from the **Net Assets** directly from the prior year Balance Sheet
- If the fund was started after 1 July, enter zero dollars.

#### Fund Balance at the End of the Year

- Include both **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 ceased operations at any date during the year, enter zero dollars.

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
<b>Fund Balance Start of Year</b>	500000.00
<b>Fund Balance End of Year</b>	540000.00

The actuarial calculation will analyse the difference between the starting balance and the end balance together with the cash flows, in and out of the fund, and any income generated by the assets.

# Actuarial Certificate Quick Guide

## Pension Account Balance and Dates

### Pension Details

It is important to understand the dates of commencement and cessation of pensions as pensions that do not run for a full year are not entitled to exempt income for the full year.

#### Pension Commencement Date

If a pension commenced prior to the start of the year, and you do not know the exact start date, you can enter 30 June (ie the day before the start of the financial year).

#### Pension Cessation Date

If a pension did not cease during the year you can leave the Pension Cessation Date blank, otherwise enter the cessation date.

### Pension Account Balances

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

- The cash flow for the pension; and,
- By deduction, the accumulation member balance and cash flow.

The difference between fund balance and pension balance(s) must be the accumulation amount.

#### 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.

Pension Accounts			
Pension 1 <span>+</span>			
<u>Pension Commencement Date</u>	30/06/2013	<u>Pension Cessation Date</u>	DD/MM/YYYY
<u>Begin Account Balance</u>	250000.00	<u>End Account Balance</u>	230000.00

## Major Cash Flows

Unless otherwise specified, the actuarial calculation assumes that all cash flows occur evenly during the year. Routine monthly contributions or regular pension payments are unlikely to impact the calculation as they are evenly spread cash movements.

If there are large *one-off* cash flows during the year they can have an effect on the average balance calculation. The calculation weights these cash flows so that cash flows early in the period have more

## Actuarial Certificate Quick Guide

weight than cash flows late in the period, such as a bank deposit on 2<sup>nd</sup> July will earn more interest in the year than the same amount deposited on 28<sup>th</sup> June.

Cash flows of less than 5% of the balance of the fund will generally not have a material impact on the average balance calculation irrespective of when they occur.

Inputting the date, type and amount of a major cash flow, as per the list below, will allow for an accurate calculation.

If in any doubt, you can always include any cash flows you wish. More data 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
2	30/06/2014	Non-concessional contribution	60000.00

### Types of Cash Flows

Below are examples of the type of cash flows to include. 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 of 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.

### An Example

AP Super Fund		
Opening Balance	1/7/2013	\$500,000
Plus Und'd 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	\$0
Opening Balance	30/06/2013	\$250,000
Less Pension Payment	01/07/2013	-\$20,000
Closing Balance Pension	30/06/2014	\$230,000

# Actuarial Certificate Quick Guide

## Average calculation including weighting adjustments

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

Pension Payment of \$20,000. 365 days in fund / 365 total days, attracts a weighting of 1.

Contribution Received of \$60,000. 0 days in fund / 365 total days, attracts a weighting of 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 \$230,000 / \$480,000 = 47.92%.

Actuarial Certificate				
Job Details		Form		Review
<b>Overview</b>				
Fund Name	Actuarial Process			
Trustee Name	AP Pty Ltd			
Fund Balance Start of Year	\$500,000			
Fund Balance End of Year	\$540,000			
<b>Pension Accounts</b>				
	Commencement Date	Begin Account Balance	Cessation Date	End Account Balance
Pension 1	30/06/2013	\$250,000	-	\$230,000
<b>Major Cash Flows</b>				
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
<b>Exempt Ratio: 47.92%</b>				

If you would like to discuss this, or any other matter about your Self-Managed Superannuation Fund, please call the team at SMSF Engine on 03 9209 9777 or email [info@smsfengine.com.au](mailto:info@smsfengine.com.au).