



ACTUARIAL CERTIFICATES 2017/18 & BEYOND

Agenda

- 3 major changes
- Their impact on ECPI, your software, actuarial certificates
- New Heffron actuarial certificate wizard



ONE THING HASN'T CHANGED

Two possible methods for ECPI

Segregated method (ITAA 1997 s 295-385)	Proportionate / actuarial method (ITAA 1997 s 295-390)
When assets are devoted entirely to pensions eligible for ECPI. ECPI : All relevant income (ie, excluding non arm's length income) on segregated assets.	All other cases (ie, when segregated method doesn't apply) ECPI : a proportion of relevant income based on an actuarial certificate.

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THREE MAJOR CHANGES FROM 2017/18

Affecting calculation of ECPI & Actuarial Certificates

ECPI only for pensions in "retirement phase"	Some funds <u>cannot</u> segregate	Some funds <u>must</u> segregate
Excludes transition to retirement income stream (TRIS) unless member subsequently retired / turned 65.	ECPI still available but must be claimed on the proportionate / actuarial certificate method.	ECPI at that time must be claimed on segregated method.

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CHANGE 1 : RETIREMENT PHASE PENSIONS ONLY

- What is a retirement phase (RP) pension?
- Normal “full” pensions (account-based, market linked etc)
- TRIS where recipient
 - Has reached age 65
 - Is terminally ill
 - Is permanently incapacitated
 - Has retired
- ECPI starts **immediately** upon **earliest** of these events

TRIS **automatically** in retirement phase

TRIS in retirement phase when **trustee notified**

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CHANGE 2 : SOME FUNDS CANNOT SEGREGATE

On the previous 30 June (ie 30 June 2017 for 2017/18 returns), did any member of the SMSF have a total superannuation balance (TSB) > \$1.6m?

↓ Yes

On the **previous 30 June**, did **that member** have a retirement phase pension (in any fund)?

↓ Yes

Segregated method cannot be used. Must use actuarial certificate method.

No

Segregated method can be used

The technical term for funds that can't segregate? Fund's assets are “disregarded small fund assets”



CHANGE 3 : SOME FUNDS DEEMED SEGREGATED

Enforcement of ATO view (2017/18 onwards)

Fund can segregate
(no “disregarded small fund
assets”)



Fund is 100% retirement phase
pension accounts at any time
during the year

- *Deemed* to be segregated *at that time*
- Segregated method *must be* used for ECPI for that period
- Even if it's only part of the year

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AND SO..

What changes for you?

RE-THINK WHEN ACTUARIAL CERTIFICATES NEEDED



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NO MORE ACTUARIAL CERTIFICATES FOR:

Transition to retirement income streams

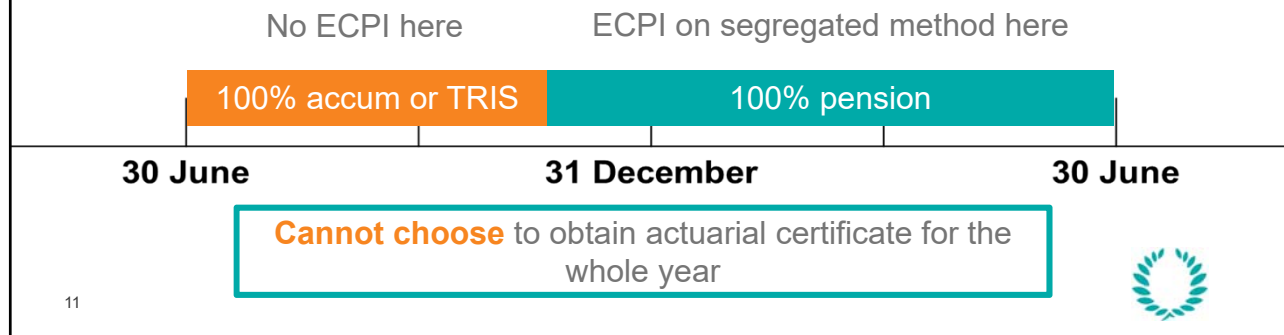
- Funds providing non RP TRIS / accumulation only
 - No actuarial certificates – no ECPI
- But change on retirement / 65
 - Need create entries / period update at the time of change
 - Re-classify as retirement phase TRIS



NO MORE ACTUARIAL CERTIFICATES FOR:

Other funds

- Funds that can segregate; and
- Move from 100% accumulation (or TRIS) to 100% retirement phase pensions (or vice versa)



ACTUARIAL CERTIFICATES STILL NEEDED

And under some new conditions

As always – certificate needed if:

Mix of accum / TRIS and RP pensions all year and no ***elected*** segregation

Providing defined benefit pensions

New – certificate needed if:

Fund is 100% pension phase all year but ineligible to segregate



NEW INFORMATION REQUIRED – TOTAL SUPER BALANCE (TSB)



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NEW INFORMATION REQUIRED

We need to know if fund can segregate

Looks like the fund can segregate:

RP pensions in SMSF at previous
30 June but all members < \$1.6m

Balances in SMSF > \$1.6m BUT
no RP pensions in the SMSF

But what if an external fund has:

A balance that takes one of the
pension members over \$1.6m

A pension account (any size)

- Class & BGL capture this – sort of
- Class : Members >> Contribution Caps
- BGL 360 : Members >> Transfer Balance Dashboard



Contribution Caps

Financial Year: 2017-18

Abbot Ringo Starr Mstr George Harrison

Name Abbot Ringo Starr
Date of Birth 26 Jun 1961
Age 57 (at 30th June 2018)
Status Member may be eligible for the bring forward rule, certain conditions apply

Current Year Contributions

	Note	Concessional	Non-Concessional
Caps	1	\$25,000.00	\$100,000.00
Contributions made (to this fund)	2	\$0.00	\$0.00
Contributions made (to other funds)		<input type="text" value="\$0.00"/>	<input type="text" value="\$0.00"/>
Contributions as allocated		\$0.00	\$0.00
Amount above caps	3	\$0.00	\$0.00
Available		\$25,000.00	\$100,000.00

⚠ These figures cannot be relied upon without confirming prior year contributions

Notes

1. Non-concessional cap shown does NOT take prior year 'Bring Forward Rule' usage into account
2. Excludes any unmatched deposits
3. Any excess concessional contributions are treated as non-concessional

Total Superannuation Balance (at 30th June 2017)

Class	\$265,468.00
External	<input type="text" value="\$0.00"/>
Total	\$265,468.00

Prior Year Contributions

Balances in other funds used to calculated total superannuation balance – note 30 June 2017 for 2017/18 year

TC 43 - Fund D6 FY2018

MEMBER LIST CONTRIBUTION DASHBOARD PENSION DASHBOARD

Financial Year: 2017 - 2018 Due Date: Quarterly

John Smith Below Cap \$1,000

TSB as at 30/06/2018 \$1,763,924.67

External Total Superannuation Balance

External Total Superannuation Balance (as at 30/06/2017)
 Last Modified: SYSTEM / 29/06/2018

External Total Superannuation Balance (as at 30/06/2018)
 Last Modified: J.Tokhi@bglcorp.com.au / 03/07/2018

BGL also seek confirmation on submission that fund can / cannot segregate

TOTAL SUPERANNUATION BALANCE

Need to know external fund balances for all pension funds?

Not necessarily – three buckets

We don't care / don't need to know	We already know	We need more information
<ol style="list-style-type: none"> 1. No pensions at all during the year 2. <u>Never</u> 100% RP pensions during the year (will always be actuarial method anyway) 	<p>SMSF interests alone rule out segregation (pensions at 30 June & > \$1.6m)</p>	<p>Everyone else We might care about:</p> <ol style="list-style-type: none"> 1. Size of external balance; or 2. Nature of external balance (pension?); or 3. Both

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**CREATE ENTRIES / PERIOD
UPDATE MORE OFTEN**



WHY IS THIS IMPORTANT?

Correct values when funds that can segregate “change”

- **Individual account** changes:
 - Accumulation >> Retirement Phase Pension
 - TRIS >> Retirement Phase Pension
 - Retirement Phase Pension >> Accumulation
 - A withdrawal that would “empty” Accumulation account
- **Fund** changes:
 - 100% pension >> Pooled (eg new contribution)

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NEW LOOK HEFFRON FORM



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Actuarial certificate wizard

meg.heffron@heffron.com.au

Share this order

Step 1

Step 2

Step 3

Summary

Overview

Validation

Details & Payment

Submission

Industry-leading compliance

Heffron is excited to announce an upgrade to the actuarial certificate platform.

Advanced validation technology has been engineered to review data, provide automated feedback, notifications and guidance. As always, Heffron's expert in-house team is available to answer any questions you might have.

Fund provided

Fund name

Sgt. Pepper's Lonely Hearts Club Fund

ABN

not provided

Financial year ending

2018

Continue »

Live chat with our team →

Step 1

Step 2

Step 3

Summary

Overview

Validation

Details & Payment

Submission

Fund name

Sgt. Pepper's Lonely Hearts Club Fund

Certificate period

Financial year ending 2018

Interim percentage

92%

This certificate has some data warnings

This fund has some internal account transfers during the year so one of our team will review it before sending out your certificate.

Decimal point accuracy

How many decimal points for your actuarial percentage?

0

Pension payment confirmation

I confirm that the payments made from all pension accounts have met the legal requirements for the year or the fund is eligible to ignore any under / over payments as a result of administrative concessions granted by the ATO.

Pension payment confirmation

We rely on your confirmation that the pension has complied with all legal requirements in order to provide a certificate. This must be provided above before continuing.

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Continue »

SGT PEPPER FUND DURING THE YEAR

What did it look like?

George : RP pension & accumulation account at start of year

Received contributions / converted to several RP pensions throughout

Ringo : 1 RP pension all year

10 July : new pension started with entire accum. account

25 August – new pension

12 May : new contribution, fund pooled again

30 June
Mix of pension & accumulation
23

20 August:
New contribution (fund pooled again)

31 December

30 June





Account details

A summary of financial information is available below. Individual transactions can be expanded for additional review.

George Harrison

	Opening	Closing	Average	Actuarial	
Accumulation	\$250,128.00	\$15,011.00	\$10,435.08	8.3441%	

Retirement phase pensions

> Segregated	\$0.00	\$0.00	excluded	excluded	
> Unsegregated	\$105,236.00	\$465,530.00	\$69,403.63	55.4963%	

Ringo Starr

	Opening	Closing	Average	Actuarial	Txn
> Segregated	\$0.00	\$0.00	excluded	excluded	
> Unsegregated	\$265,468.00	\$258,491.00	\$45,221.32	36.1597%	

Account details				
A summary of financial information is available below. Individual transactions can be expanded for additional review.				
George Harrison				
	Opening	Closing	Average	Actuarial
Accumulation	\$250,128.00	\$15,011.00	\$10,435.08	8.3441%
<div>03/07/2017</div> <div>\$20,000.00 (\$-3,000.00)</div> <div>Concessional Contribution</div>				
<div>10/07/2017</div> <div>\$-268,338.00</div> <div>Pension Commencement OUT</div>				
<div>10/07/2017</div> <div>\$1,210.00</div> <div>Net Earnings</div>				
<div>20/08/2017</div> <div>\$100,000.00</div> <div>Non Concessional Contribution</div>				
<div>25/08/2017</div> <div>\$-100,100.00</div> <div>Pension Commencement OUT</div>				
<div>25/08/2017</div> <div>\$100.00</div> <div>Net Earnings</div>				
<div>12/05/2018</div> <div>\$15,000.00 (\$-2,250.00)</div> <div>Concessional Contribution</div>				
<div>30/06/2018</div> <div>\$2,261.00</div> <div>Net Earnings</div>				
Retirement phase pensions				
> Segregated	\$0.00	\$0.00	excluded	excluded
> Unsegregated	\$105,236.00	\$465,530.00	\$69,403.63	55.4963%

AND RINGO?

No changes to his pension throughout year

Ringo Starr					
	Opening	Closing	Average	Actuarial	Txn
Retirement phase pensions					
> Segregated	\$0.00	\$0.00	excluded	excluded	
> Unsegregated	\$265,468.00	\$258,491.00	\$45,221.32	36.1597%	
<div>05/07/2017</div> <div>\$-16,100.00</div> <div>Pensions</div>					
<div>10/07/2017</div> <div>\$-255,246.00</div> <div>Asset Segregation OUT</div>					
<div>10/07/2017</div> <div>\$5,878.00</div> <div>Net Earnings</div>					
<div>20/08/2017</div> <div>\$255,246.00</div> <div>Asset Unsegregation IN</div>					
<div>25/08/2017</div> <div>\$-256,471.00</div> <div>Asset Segregation OUT</div>					
<div>25/08/2017</div> <div>\$1,225.00</div> <div>Net Earnings</div>					
<div>12/05/2018</div> <div>\$256,471.00</div> <div>Asset Unsegregation IN</div>					
<div>30/06/2018</div> <div>\$2,020.00</div> <div>Net Earnings</div>					

Fund is moving from pooled / segregated because of George's contributions & new pensions

SGT PEPPER FUND DURING THE YEAR

What did it look like?

Actuarial % of 92% applied to these periods only.
Class / BGL apply this to the right income automatically



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HOW DO WE CALCULATE THE %?

Let's use a simpler example!

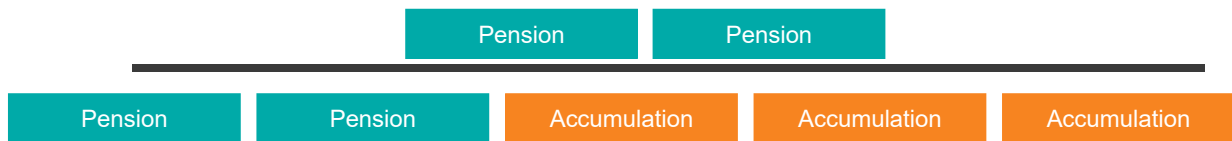


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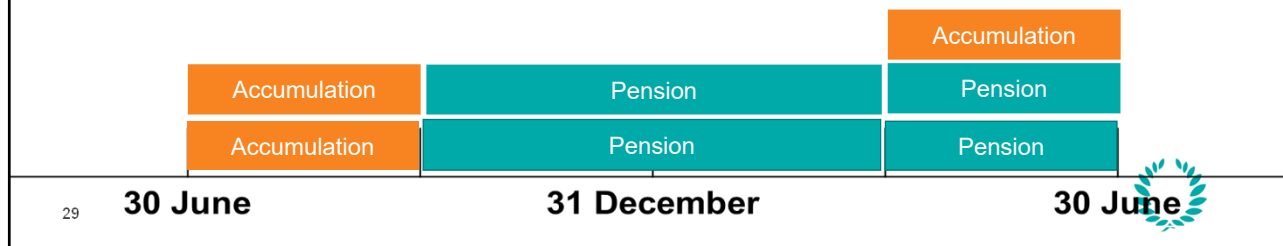


HOW DO WE CALCULATE THE %?

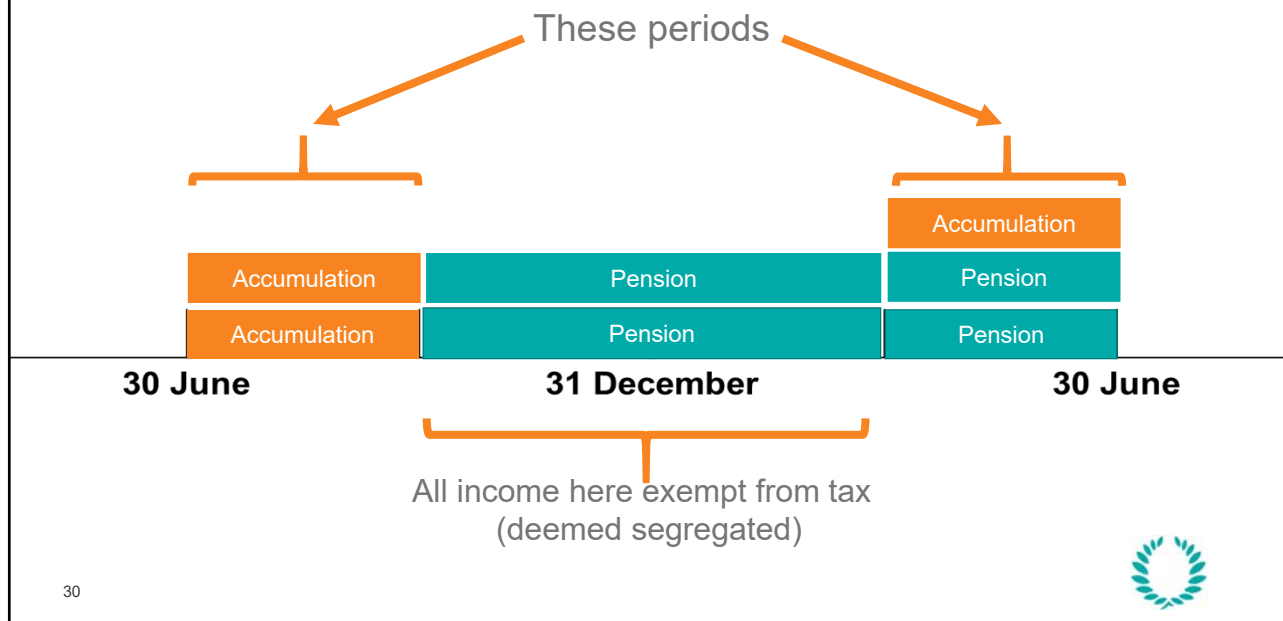
Let's use a simpler example!



Actuarial % : 40%



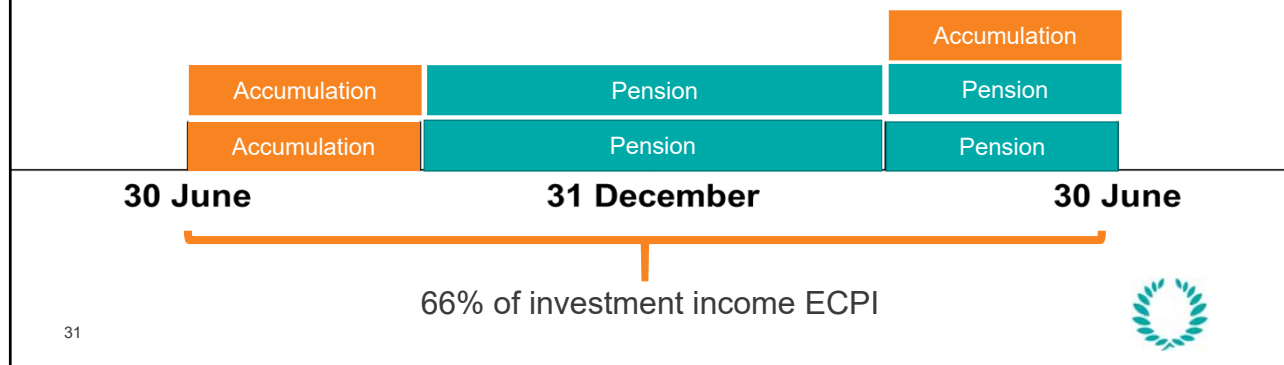
40% APPLIED TO:



WHAT IF THE FUND COULDN'T SEGREGATE?

Include all periods (don't exclude October – March)

- Actuarial % more like 66%
- Applied to all income over full year



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BACK TO SGT PEPPER – SUMMARY:

Fund totals

Summarised aggregates for this fund for the financial year ending 2018

	Opening	Closing	Average	Actuarial
Total unsegregated retirement phase pensions *	\$370,704.00	\$724,021.00	\$114,624.95	91.656%
Total segregated retirement phase pensions **	\$0.00	\$0.00	excluded	excluded
Total non retirement phase pensions	\$0.00	\$0.00	\$0.00	0%
Total accumulation balances	\$250,128.00	\$15,011.00	\$10,435.08	8.3441%
Total reserve balances	\$0.00	\$0.00	\$0.00	0%
Total for the fund	\$620,832.00	\$739,032.00	\$125,060.03	100%

Retirement phase pensions includes all pensions that give rise to a tax exemption on the fund's investment income.

For 2017/18 and later years this includes only defined benefit, market linked, account-based and transition to retirement pensions where the member has met a condition of release such as retirement.

* Total unsegregated retirement phase pensions includes all retirement phase pensions that are supported by the fund's assets generally rather than specific pension assets.

** Total segregated retirement phase pensions includes all retirement phase pensions that are supported by segregated assets. For 2017/18 and later years, this will include all retirement phase pension accounts at any time when the fund is entirely supporting retirement phase pensions and the fund is legally allowed to operate on a segregated basis. ([Click here](#) to see when a fund can or cannot be segregated).

« Go back

Validate certificate »

AND THEN FINALLY

Submit & Pay / bypass payment – then..

Order summary

Sgt. Pepper's Lonely Hearts Club Fund

Certificate period
Financial year ending 2018

Order reference
1061963

Order requested by
Mrs Margaret Elizabeth Heffron

Order status

Your order is currently being reviewed by Heffron. You will receive an email with your actuarial certificate at the completion of the review.



Actuarial percentage

92%

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MORE QUESTIONS?

ADDITIONAL RESOURCES

Heffron can help

- Website content

<https://www.heffron.com.au/actuarial-certificates-for-2017-18-and-beyond>

- Super Intensive Day – annual training event (Aug/Sept/Oct)
- Annual Accountants Update webinar (26 July 2018)

