



Actuarial Certificates

Actuarial Certificates are required when a superannuation fund provides a pension. There are two distinct purposes for which the fund may need to obtain an actuarial certificate.

1. Background Valuation of pension assets for tax exemption (required under the Tax Act)

A superannuation fund that provides a pension, including an allocated pension, needs to obtain an actuarial certificate to qualify for exemptions from tax. There are two classes of certificate depending on whether the assets being used to provide the pension payments are classed as segregated or unsegregated.

Segregated Assets

This is where each member has selected specific investments. Any income and gain is apportioned according to which assets each member holds. The relevant assets must be segregated at all times during the period covered by the certificate.

Unsegregated Assets

This is where all members share the assets of the fund as a whole. Any income and gain is apportioned according to each member's account balance.

In practice, a fund that starts paying a pension part way through the financial year will need this type of certificate, unless it immediately segregates the relevant assets and obtains a valuation of those assets at the date the pension commences.

When must certifications be obtained?

For segregated assets the actuarial certificate **may** cover a maximum of 3 years. For unsegregated assets a new certificate is required every year. The certificate must be obtained by the fund no later than the date at which the tax return is due for a particular financial year (or initial year for a 3 year certificate).

Allocated pensions need these certificates as well as other forms of pensions.

2. Valuation of pension assets for adequacy (required under SIS legislation)

A superannuation fund that provides a pension needs to obtain an actuarial certificate to qualify under subregulation 1.06 (1) of the Superannuation Industry (Supervision) Regulations (SIS Regulations).

An allocated pension does not need this type of certificate, as it is specifically excluded from these requirements.

Classification as a pension that complies with the requirements of the SIS Regulations affects how the individual receiving the pension is treated under the income and assets tests for Social Security and Age Pension purposes.

If the pension also satisfies the requirements of Regulation 53J of the Income Tax Regulations, the higher pension Reasonable Benefit Limit (RBL) will apply. (Note that these rules mean that allocated pensions do not qualify for asset test exemption or for the pension RBL).

For the actuarial certification to include a statement that the actuary believes there is a 'high degree of probability that the fund will be able to pay the pension as required under the fund's governing rules', the Australian Prudential Regulation Authority (APRA) has requested that the Institute of Actuaries of Australia interpret a 'high degree of probability' as a '70% probability' that the fund holds sufficient assets to meet its pension liabilities.

When must certificates be obtained?

This certificate is required every year. APRA may grant a request for 3 yearly certification for larger funds, but will not do so for small funds.