



**The Hon Jenny Macklin MP
Minister for Families, Housing, Community Services
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Mrs Julia Irwin MP
Chair
Standing Committee on Petitions
PO Box 6021
Parliament House
CANBERRA ACT 2600

Dear Mrs Irwin *Julia*

Thank you for your letter of 26 May 2010 about the petition regarding the life expectancy actuarial review and the impact of the global financial crisis.

To ensure equity with customers holding income streams with retail providers, self-managed superannuation funds (SMSFs) and small Australian Prudential Regulatory Authority funds (SAFs) with 100 per cent assets test exempt income streams are required to prove that their income stream meets the necessary reserving requirements and is able to meet its ongoing pension obligations.

Additional reporting requirements are also placed on these income support recipients because of the lack of 'arm's length' separation between the trustee and the member. One of these reporting requirements is an actuarial certificate that the income stream has a "high probability" of meeting its pension obligations for the lifetime or life expectancy of the individual.

In March 2009, I approved measures designed to ease the pressure on pensioners with SMSF/SAF 100 per cent assets test exempt complying pensions who are experiencing difficulty as a result of the global financial crisis. These pensioners were experiencing difficulty meeting actuarial certification for their income stream as a result of the negative impact of the global financial crisis on their underlying assets. The relief means these income streams do not have to meet high probability but do become assets tested. The relief also means that these pensioners will not incur a significant debt, which is equivalent to the additional social security benefits received over the last five years, due to not meeting the actuarial certification.

I later agreed to enhance the relief to allow restructuring to a market-linked income stream for SMSFs/SAFs, albeit still with the loss of the asset test concession. Customers can still retain their assets test exemption if they restructure their income stream into a lifetime or life expectancy income stream offered by a retail provider. The original and enhanced relief is in effect until 30 June 2010.

Prior to the implementation of the first relief measure, customers with these products who were unable to get actuarial certification would have either to:

- keep the assets test exempt status by restructuring the income stream into an equivalent retail product (crystallise losses); or
- lose the assets test exemption and become assets-tested with the resulting social security debt penalty.

Given the complexities involved in assessing income stream products under the means test, I would recommend that the petitioner arrange an interview with a Centrelink Financial Information Service officer to discuss their personal circumstances. These officers are specially trained to provide information about the social security assessment of income and assets. This is a free service and an appointment can be made by phoning 13 1021 for the cost of a local call.

The Australian Government will continue to take decisive action to uphold the integrity and fairness of the social security system in the face of ongoing events in financial markets and the wider economy.

Thank you again for writing.

Yours sincerely

JENNY MACKLIN MP