

22 November 2021

Reference number: 123599797

The Trustees
Rosenbaum superannuation Fund
c/o Navkar Consultancy Services Pty Ltd
1 FARRER PL
SYDNEY NSW 2000

Dear Trustees,

SECTION 295.390 ACTUARY'S CERTIFICATE OF EXEMPT INCOME

This certificate has been prepared for the Trustees of Rosenbaum superannuation Fund to certify the exempt income proportion in accordance with section 295.390 of the Income Tax Assessment Act ("ITAA") 1997 for the 2020/21 income year.

I hereby certify that the proportion of the applicable income of Rosenbaum superannuation Fund ("the Fund") for the year ending 30 June 2021 that should be exempt from income tax is: **93.795%**

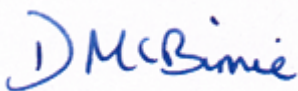
This exempt income proportion does not apply to income earned on segregated current pension assets and segregated non-current assets.

Further details of my calculation and the information on which it is based are contained in the appendices and covering email. These form part of my report and should be read in their entirety.

- ◆ Appendix A: Information used to calculate the exempt income proportion
- ◆ Appendix B: Fund liabilities
- ◆ Appendix C: Exempt current pension income result and adequacy opinion

I confirm that this actuarial certificate has been prepared in accordance with Professional Standard 406 issued by the Institute of Actuaries of Australia and other relevant professional standards and guidance notes.

Yours sincerely,



Doug McBirnie, B.Sc. (Hons), FIAA

Appendix A – Information used to calculate the exempt income proportion

Fund data and financials

This certificate has been prepared at the request of, and based on data supplied by, Navkar Consultancy Services Pty Ltd on behalf of the Trustees for the 2020/21 income year. A summary of the data supplied to us for the purpose of calculating the exempt income proportion is provided below:

Name of fund: Rosenbaum superannuation Fund
Fund ABN: 87781461281
Trustees: David Rosenbaum
Narelle Maree Scott

Member name	David Rosenbaum	Narelle Maree Scott
Date of birth	3 May 1956	2 Jan 1958
Value of retirement phase income streams as at 1 Jul 2020	\$427,684	\$1,579,964
Value of retirement phase income streams at 1 Jul 2020 excluding liabilities in respect to segregated current pension assets.	\$0	\$0
Retirement phase income stream(s) commenced	1 Jul 2020	

The aggregate operating statement information is:

Assets available at 1 July 2020	\$2,183,190
Plus	
Concessional contributions	\$22,525
Less	
Pension payments and lump sump withdrawals	\$201,000
Equals	
Balance before income and expenses	\$2,004,716
Preliminary net income	\$341,862
Gross assets available at year end (before tax)	\$2,346,578

We understand that the financial information provided to us when applying for this certificate may be unaudited. Should the financial information provided to us change, as a result of audit or otherwise, this may affect the results of our calculations and we recommend you apply for an amended certificate.

In addition to relying on the data provided to us, we have made the following assumption when completing this actuarial certificate:

- ◆ Member One commenced an account-based pension with their entire accumulation balance on 1 July 2020 allowing for any transactions that occurred on that date, with a purchase price of \$175,542.52.

The information provided to us indicated that this Fund did not have disregarded small fund assets, as defined in section 295.387 of the ITAA 1997. See Appendix B for details of the Fund's segregated current pension assets.

Minimum pension standards

Based on the information provided, the Fund contains only accumulation and account-based type income stream benefits (commonly referred to as pensions). These include allocated pensions, market linked pensions, and account-based income streams (including transition to retirement pensions). The Fund contains no other types of income stream benefits such as defined benefits in growth or pension phase.

The Superannuation Industry Supervision (SIS) Regulations for account-based income streams include a requirement for a minimum amount to be paid to the member over the year depending on the member's age, opening account balance date of commencement. Where the minimum pension standards are not met the earnings on the assets supporting that income stream may not be eligible for an exemption from income tax, and the exempt income proportion shown in this certificate may not be correct. It was confirmed upon submission of the data for this report that all assets shown as supporting retirement phase superannuation income streams are eligible for an exemption from income tax by virtue of having met the minimum pension standards for the Income year. We have not checked that this is the case and recommend that the Fund's auditor satisfies him or herself that the relevant standards have been met.

Appendix B – Fund liabilities

Segregated current pension assets

Section 295.385 of the ITAA 1997 defines segregated current pension assets as those assets that are set aside to solely support retirement phase income streams. Assessable income (excluding non-arm's length income and assessable contributions) earned on these assets is exempt from income tax.

Guidance from the Australian Tax Office states that where a fund's only superannuation liabilities are in respect of account-based retirement phase income streams at a particular point in time, the fund's assets are deemed to be segregated current pension assets. The eligible income earned during a period where a fund is 100% in retirement phase is therefore exempt from tax under the segregated method.

An exception to the above is where a fund has disregarded small fund assets and is therefore unable to use the segregated method. Disregarded small fund assets are defined under section 295.387 of ITAA 1997 and apply where an SMSF or small-APRA fund have a retirement phase income stream in an income year and at the previous 30 June:

- ◆ A member of the fund had a total superannuation balance (including accounts outside that fund) of over \$1.6 million, and
- ◆ That member was the recipient of a retirement phase income stream in any fund.

We understand that this Fund did not have disregarded small fund assets in the 2021 income year.

Based on the information provided, our calculations assume that the Fund had the following transactions relating to assets solely supporting retirement phase income stream liabilities:

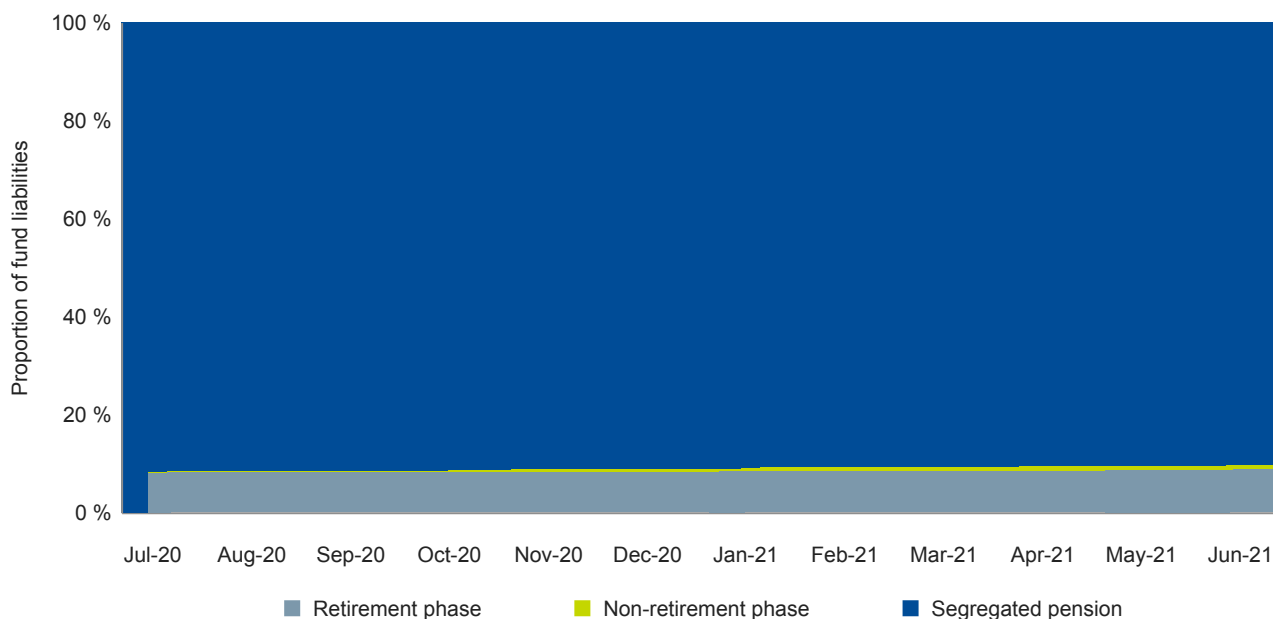
- ◆ Member One had \$427,683.96 segregated to their account-based pension on 1 July 2020.
- ◆ Member Two had \$1,579,963.88 segregated to their account-based pension on 1 July 2020.
- ◆ The Fund's only superannuation liabilities during the following period were in respect of retirement phase income streams, meaning the Fund was deemed to be segregated:
 - 1 July 2020 to 9 July 2020

Segregated non-current assets

Segregated non-current assets as defined in section 295.395 of ITAA 1997 are those assets set aside solely to support non-retirement phase superannuation liabilities such as accumulation interests. A separate actuary's certificate is required in order to segregate such assets. We understand that the Fund had no segregated non-current assets during the income year.

Illustration of liabilities

The following chart illustrates the Fund's liabilities during the income year including those periods where superannuation liabilities were solely supported by segregated current pension assets:



The green non-retirement phase liabilities represent accumulation interests, reserves and non-retirement phase transition to retirement income streams in the Fund over the income year. The blue segregated retirement phase liabilities represent liabilities supported by segregated current pension assets during the income year (including elected and deemed segregation). The grey unsegregated retirement phase liabilities represent retirement phase income streams that were not segregated current pension assets.

The liabilities shown in grey and green are those that are used to calculate the exempt income proportion. These liabilities are known as 'unsegregated' and eligible income earned on assets supporting these liabilities will claim ECPI based on the exempt income proportion in this actuarial certificate.

Appendix C - Exempt income proportion results and adequacy opinion

Exempt income proportion

Superannuation funds claiming exempt current pension income ("ECPI") under section 295.390 of the ITAA 1997, known as the proportionate or unsegregated method, are required to obtain an actuary's certificate prior to lodgement of the fund's income tax return. The proportion of the applicable income, excluding income earned on segregated current pension assets and segregated non-current assets, for the year ending 30 June 2021 that should be exempt from income tax is calculated as follows:

$$\frac{\text{Average value of current pension liabilities}}{\text{Average value of superannuation liabilities}} = \frac{\$171,214}{\$182,542} = 93.795\%$$

Within the requirements of legislation and the Fund's Trust Deed and Rules, the Trustees may have discretion about how income and expenses are allocated at the member level. We have not checked the terms of the Fund's Trust Deed and Rules. The daily weighted average calculation of the exempt income proportion provides a fair and reasonable method of apportioning these items between the member accounts at year end for income earned on assets that are not segregated assets and is provided below:

Member Name	David Rosenbaum	Narelle Maree Scott	Fund
Exempt income proportion	93.795%	0.000%	93.795%
Non-exempt income proportion	6.205%	0.000%	6.205%

The above proportions are unlikely to be appropriate for allocating income earned on segregated assets.

Calculating the fund's exempt current pension income for the purpose of your tax return

The exempt income proportion is applied to net ordinary assessable income including net capital gains, but excluding assessable contributions, non-arm's length income and income including capital gains or losses derived from any segregated assets. The Trustee would calculate ECPI as follows:

Total ECPI = Eligible income * Exempt income proportion + Income on segregated current pension assets

Unutilised capital losses (except capital losses on segregated current pension assets) can be carried forward until they can be offset against assessable capital gains.

Adequacy opinion and methodology

By definition, the liabilities of an account-based member interest or reserve at a particular time, in the absence of any unusual terms or guarantees, are equal to the value of the assets backing it. Therefore no specific assumption has been made (or is needed) regarding rates of return on the Fund's assets; pension increases; or the liability calculation discount rate. As such, I am satisfied that the amount of the assets at the end of the year, if accumulated together with the Fund's future earnings and contributions, will provide the amount required to discharge in full the liabilities as they fall due. No recommendation is needed with regard to future contributions.

The average values used in the exempt income proportion are determined using a daily weighted average calculation which takes into account relevant information such as the opening balances of each member account, any reserves, and the size and timing of any member transactions during the income year. Unless otherwise stated, all member transactions including pension commencements and commutations are assumed to occur immediately at the start of each day. More information on the methodology used can be found at <https://www.accurium.com.au/-/media/Accurium/Membership/methodology-guide>